THE MAGAZINE OF WALL STREET

MAY 13, 1933

Profits and Protection in Common Stocks

By A. T. MILLER

The American Dollar At Home and Abroad

By THEODORE M. KNAPPEN

What Bonds to—

—Buy —Sell —Hold

By J. S. WILLIAMS

C. G. Wyckoff
PUBLISHER

VOL. 52 — No. 2

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Walled City of Carcassonne

THERE is nothing new in this idea. Back in 1835, the well-known wit, Sydney Smith, wrote to Countess Grey: "I think every wife has a right to insist upon seeing Paris."

This is doubly true today. In addition to Paris, chateaux lie above the Loire, and quaint peasant homes are cut in its clay banks, only a few hours from the *Rue de Rivoli*. . . . The most majestic cathedrals of pure Gothic are in France. . . . Roman ruins can be seen in the South. . . . Health and rest are in her mountain Spas. . . . Golden beaches call on three sides. . . . Splendid motor roads wind through vineyards, villages and woodland.

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ILE DE FRANCE, May 27, June 17, July 7 • PARIS, May 19, June 10, July 1 • CHAMPLAIN, June 3 and 24 • LAFAYETTE, June 8, July 1 and 26 • DE GRASSE, June 20 • ROCHAMBEAU, May 16, June 22

Missouri-Kansas-Texas Railroad Company

and Controlled Companies

Annual Report for the Year Ended December 31, 1932

TO THE STOCKHOLDERS: St. Louis, Mo., April 18, 1933.

The Board of Directors submit herewith report of the operations and affairs of your property for the year ended December 31, 1932.

A summary of results of operation compared with the year 1931 is as follows:

	1932	1931	Decrease	Per Cent
Operating Revenues	$27,239,827.04	$34,383,379.64	$7,143,552.60	20.78
Operating Expenses	19,227,904.93	24,501,399.36	5,273,494.43	21.52
Net Operating Revenue	$8,011,922.11	$9,881,980.28	$1,870,058.17	18.92
Taxes	2,222,009.64	2,455,586.33	233,576.69	9.51
Uncollectible Railway Revenues	19,187.11	21,044.33	1,857.22	8.83
Railway Operating Income	$5,770,725.36	$7,405,349.62	$1,634,624.26	22.07
Miscellaneous Income	136,917.36	250,214.81	113,297.45	45.28
	$5,907,642.72	$7,655,564.43	$1,747,921.71	22.83
Rentals and Other Payments	1,677,328.74	2,111,554.55	434,225.81	20.56
Income for Year Available for Interest	$4,230,313.98	$5,544,009.88	$1,313,695.90	23.70
Fixed Interest Charges for Year	4,183,851.35	4,189,904.87	6,053.52	.14
Balance Available for Interest on Adjustment Bonds	$46,462.63	$1,354,105.01	$1,307,642.38	96.57
Interest on Adjustment Bonds	678,878.36	678,878.36		
Net Income	**$632,415.73**	$675,226.65	$1,307,642.38	

Blackface denotes debit.

CONSOLIDATED GENERAL BALANCE SHEET

ASSETS

INVESTMENTS:	Dec. 31, 1932	Dec. 31, 1931	Increase or Decrease
Investment in Road and Equipment:			
Road	$214,358,536.16	$214,493,071.48	—$134,535.32
Equipment	43,314,080.85	45,451,636.14	—2,137,555.29
	$257,672,617.01	$259,944,707.62	—$2,272,090.61
Deposits in Lieu of Mortgaged Property Sold	212.50	212.50	....
Miscellaneous Physical Property	996,423.33	1,182,004.49	—185,581.16
Investments in Affiliated Companies—Pledged	527,000.00	527,000.00	....
Investments in Affiliated Companies—Unpledged	1,653,436.88	1,230,290.35	+423,146.53
Other Investments:			
U. S. Government Securities	....	1,000,078.13	—1,000,078.13
Other Securities at Cost	*581,794.73	617,433.19	—35,638.46
*(Approximate value $81,794.73)			
Total Investments	$261,431,484.45	$264,501,726.28	—$3,070,241.83
CURRENT ASSETS:			
Cash	$3,325,064.09	$2,280,291.32	+$1,044,772.77
Time Drafts and Deposits	3,755,064.35	4,116,712.06	—361,647.71
Special Deposits	9,444.66	8,609.94	+$834.72
Loans and Bills Receivable:			
Time Loans	....	501,544.16	—501,544.16
Other Bills Receivable	62,895.02	59,094.91	+3,800.11
Traffic and Car Service Balances Receivable	325,902.39	457,922.31	—132,019.92
Net Balance Receivable from Agents and Conductors	386,706.17	455,745.04	—69,038.87
Miscellaneous Accounts Receivable	808,470.00	912,735.04	—104,265.04
Material and Supplies at Cost	2,998,466.99	3,560,373.58	—561,906.59
Interest and Dividends Receivable	61,524.98	57,957.63	+3,567.35
Other Current Assets	18,100.31	16,525.75	+1,574.56
Total Current Assets	$11,751,638.96	$12,427,511.74	—$675,872.78
DEFERRED ASSETS:			
Working Fund Advances	$66,002.78	$99,871.53	—$33,868.75
Other Deferred Assets	332,769.54	223,063.82	+109,705.72
Total Deferred Assets	$398,772.32	$322,935.35	+$75,836.97
UNADJUSTED DEBITS:			
Rents and Insurance Premiums Paid in Advance	$23,435.02	$83,065.07	—59,630.05
Other Unadjusted Debits	219,384.84	448,038.61	—228,653.77
Total Unadjusted Debits	$242,819.86	$531,103.68	—$288,283.82
Total	$273,824,715.59	$277,783,277.05	—$3,958,561.46
The following Assets not included in Balance Sheet Accounts:			
Securities Issued or Assumed—Unpledged:			
Preferred Stock, Series "A"	$5,528,364.39	$5,528,364.39	....
Common Stock	15,730,515.52	15,730,515.52	....
Long Term Debt	11,392,905.46	11,392,905.46	....
Securities Issued or Assumed—Pledged:			
Long Term Debt	17,545,000.00	17,529,000.00	+$6,000.00
Long Term Debt Held for Exchange of Underlying Securities, per contra	31,097,000.00	31,113,000.00	—$16,000.00

Intercorporate Assets and Liabilities are excluded.

LIABILITIES

STOCK:	Dec. 31, 1932	Dec. 31, 1931	Increase or Decrease
Capital Stock:			
Preferred, Series "A" (Par value $100.00 per share)	$66,671,000.83	$66,668,948.12	+$2,052.71
Common (No par value. See note)	66,672,747.67	66,672,472.93	+274.74
Stock Liability for Conversion:			
Preferred, Series "A" (Par value $100.00 per share)	32,734.78	34,787.49	—$2,052.71
Common (No par value. See note)	16,736.81	17,011.55	—274.74
Total Stock	$133,393,220.09	$133,393,220.09	....
LONG TERM DEBT:			
Mortgage Bonds	$93,094,179.30	$93,194,179.30	—$100,000.00
Equipment Trust Obligations	252,300.00	336,400.00	—84,100.00
Income Mortgage Bonds	13,577,567.24	13,577,567.24	....
Total Long Term Debt	$106,924,046.54	$107,108,146.54	—$184,100.00
CURRENT LIABILITIES:			
Traffic and Car Service Balances Payable	$481,341.79	$514,538.62	—$33,196.83
Audited Accounts and Wages Payable	1,967,593.12	2,881,756.26	—914,163.14
Miscellaneous Accounts Payable	94,016.20	90,998.34	+3,017.86
Interest Matured Unpaid	1,628,828.89	1,625,594.82	+3,234.07
Dividends Matured Unpaid	17,187.00	19,667.75	—2,480.75
Funded Debt Matured Unpaid	2,642.00	1,642.00	+1,000.00
Unmatured Interest Accrued	452,622.43	455,526.84	—2,904.41
Unmatured Rents Accrued	120,222.51	139,233.50	—19,010.99
Other Current Liabilities	83,547.96	119,799.18	—36,251.22
Total Current Liabilities	$4,848,001.90	$5,848,757.31	—$1,000,755.41
DEFERRED LIABILITIES:			
Other Deferred Liabilities	$263,706.89	$342,968.48	—$79,261.59
UNADJUSTED CREDITS:			
Tax Liability	$1,128,659.18	$1,060,595.43	+$68,063.75
Accrued Depreciation—Road	136,649.49	136,649.49	....
Accrued Depreciation—Equipment	11,810,546.77	11,577,056.01	+233,490.76
Other Unadjusted Credits	396,394.27	364,323.78	+32,070.49
Total Unadjusted Credits	$13,472,249.71	$13,138,624.71	+$333,625.00
CORPORATE SURPLUS:			
Additions to Property through Income and Surplus	$89,131.80	$78,832.57	+$10,299.23
Profit and Loss—Balance	*14,834,358.66	17,872,727.35	—$3,038,368.69
*(Subject to note under Other Investments, per contra.)			
Total Corporate Surplus	$14,923,490.46	$17,951,559.92	—$3,028,069.46
Total	$273,824,715.59	$277,783,277.05	—$3,958,561.46
The following Liabilities not included in Balance Sheet Accounts:			
Securities held by or for the Company—Unpledged:			
Preferred Stock Series "A"	$5,528,364.39	$5,528,364.39	....
Common Stock	15,730,515.52	15,730,515.52	....
Long Term Debt	11,392,905.46	11,392,905.46	....
Securities held by or for the Company—Pledged:			
Long Term Debt	17,545,000.00	17,529,000.00	+$16,000.00
Liability to holders of underlying Long Term Debt in exchange for which securities are held, per contra	31,097,000.00	31,113,000.00	—$16,000.00

There were 808,938.9429 shares Common Stock outstanding in hands of the public December 31, 1932, an increase of 3.3334 shares. There were also 203.0673 shares included in Stock Liability for Conversion on December 31, 1932, a decrease of 3.3334 shares.

The Company is guarantor, jointly with other Companies, of the securities of certain terminal companies, none of which is in default.

As no liability is admitted under Section 15A of the Interstate Commerce Act no cognizance thereof has been taken in preparing the above Balance Sheet.

There are proposed additional assessments in respect to prior years' Federal Income Taxes, liability for which is not admitted by the Company.

Dividends on 7% Cumulative Preferred Stock, Series "A," have been declared and paid to September 30, 1931.

CONSOLIDATED PROFIT AND LOSS DECEMBER 31, 1932

Balance to Credit of Profit and Loss December 31, 1931	$17,872,727.35
Credits:	
Profit on Road and Equipment Sold	1,254.25
Unrefundable Overcharges	**12.50**
Donations	10,299.23
Miscellaneous Credits	12,648.57
Total	$17,896,916.90

Blackface denotes debit.

Debits:	
Debit Balance Transferred from Income	$632,415.73
Surplus Appropriated for Investment in Physical Property	10,299.23
Debt Discount Extinguished through Surplus	2,285.35
Loss on Retired Road and Equipment	73,325.59
Delayed Income Debits	2,098,969.90
Miscellaneous Debits	245,262.44
Total	$3,062,558.24
Balance to Credit of Profit and Loss December 31, 1932	$14,834,358.66

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Vol. 52 No. 2 **May 13, 1933**

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WITH THE EDITORS

Another Case of More Information for the Stockholder

MUCH hinges upon the outcome of the present controversy between the New York Stock Exchange and the management of the Allied Chemical & Dye Corp. On the face of it, there is a disagreement between two large and powerful interests over a comparatively minor matter. The New York Stock Exchange has long worked for more frequent and more detailed reports on the part of corporations listed thereon, and in accord with this policy has been carrying on an extensive correspondence with Allied Chemical for the purpose of having this company amplify its financial statements. On the other hand, the company contends that when its stock was listed all exchange regulations were complied with, that it has no obligation to comply with regulations and recommendations instituted after this event, and finally that it has the right to present statements to its own stockholders in any way it sees fit.

But the question goes much deeper than this. There is a general feeling throughout the country that stockholders have all too frequently been exploited in the past. Secrecy and lack of information are always the groundwork to exploitation. More frequent and more complete information is the order of the day. If the Stock Exchange can cause it to be produced, all right. If not, the Government will.

In the Next Issue

Government-Sponsored Business and Its Effect on Securities

By Theodore M. Knappen

Companies That Will Benefit by the Gold Embargo

By C. L. Carberry

Now the Stock Exchange apparently feels that contemplated legislation on securities goes far enough, and that any more drastic legislation would react adversely upon the buying, selling and issuing of securities. Moreover, perhaps the Exchange, too, feels that the public has at times obtained rather a poor deal and that there is a real need for stringent regulations to prevent such occurrences in the future.

It is for these reasons that the Exchange is making such an issue of the Allied Chemical statements. In this particular case, of course, there is not the slightest question of deceit or exploitation. The Exchange is standing for a principle. And the company is standing for a principle.

Frankly, our sympathies are with the Exchange. They may have no legal right to dictate to any company what it should do, or how it should do it. But it is clearly in the public interest to have corporations issue greater and more detailed information. Our attitude is that any company which has a sufficient number of stockholders to warrant listing should disseminate the most minute details of its affairs for the benefit of the owners of the business—these stockholders.

We would even go so far as to say that the Exchange should use its most powerful weapon—the striking of the shares from the list—against any company which refuses to meet the Exchange's current requirements on the publication of information. While this in all probability would work considerable hardship on the innocent small stockholders of the recalcitrant company, their sacrifice nevertheless would have been made in the best of causes.

Correction

In an article entitled "Climax of the Movie Tragedy Approaches," which appeared in our issue of April 15, reference was made to Mr. David Selznick's former relation as production executive of RKO and his present connection with the Metro-Goldwyn-Mayer Studio. We are advised that the statements made in this connection were in error and that Mr. David Selznick's salary as executive vice-president and production manager of RKO was not \$2,500 weekly but \$4,500 weekly,—that the reason for his leaving RKO was not due to the failure of that studio to progress suitably but that, on the contrary, "a contract was tendered him at \$2,500 per week plus 20% of net profits which would have made his salary largely in excess of \$4,500 per week. He declined the proffered contract and entered the employ of Metro-Goldwyn-Mayer for a lesser sum, at actually \$4,000 per week, with no interest in the profits, because he deemed it afforded better opportunities for his talent and that he could render to the public more useful service."

It is further pointed out in the letter addressed to us that Mr. Selznick's engagement was not due to the fact that Mr. Louis B. Mayer, vice-president and director-general of Metro-Goldwyn-Mayer, was his father-in-law; such engagements not being made by any individual singly in the Metro-Goldwyn-Mayer organization.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

The Trend of Events

- *— Sound Advice to Industry*
- *— We Must Not Foot the Bill*
- *— The Road to Slavery*
- *— Business Advances*
- *— Another Noble Experiment*
- *— The Market Prospect*

SOUND ADVICE TO INDUSTRY

THE President struck at the heart of most of the obstacles which have retarded recovery both at home and abroad when he said, in his address before the Chamber of Commerce of the United States: "I ask that you translate your welfare into the welfare of the whole, that you view recovery in terms of the nation rather than in terms of a particular industry, that you have the vision to lay aside special and selfish interests, to think of and act for a well rounded national recovery."

The spirit of extreme self-interest is responsible for much of the adverse legislation which favors one group at the expense of another. It has been the iniquitous force behind our unwarranted expansion and its resulting overproduction and accumulation of price-breaking surpluses. In the world at large the selfish attitude of the nations has stifled trade and prevented international co-operation. At this moment it threatens in spite of all the suffering experienced and the gravity of the outlook the success of the Economic Conference by the additional tariff barriers, imposts and trade agreements erected in the last few weeks by England and France. We wonder how severe a calamity must be before the light is seen. Certainly it would seem that the situation is critical enough to give heed to the sentiments the President expresses and work toward at least enough co-operation among industries and among the nations to relieve the competitive forces which menace the structure of civilization.

WE MUST NOT FOOT THE BILL

THE big three—MacDonald, Herriot and Roosevelt—talked a lot, revealed little, but did business. The establishment of June 12 as the definite date for the assembling of the long projected International Economic conference proves that if nothing else does, none of them desired a conference if there was not a reasonable prospect that the Conference would yield worthwhile results. Herriot and MacDonald were satisfied that the signature of the United States delegation to an international program

of reconstruction would be honored by Congress. They were also convinced that the United States was in a mood for handsome tariff concessions. The fact of suspension of the gold standard while they were on the ocean was all they wanted to know about the possibilities of monetary adjustment. They found, too, that although the war debts are not on the agenda of the Conference a way might be found to adjust them off the record. The concomitant persiflage of the Washington talks leaves us cold. It would have been shoveled out generously if the parleys had got nowhere. The big fact is that the Conference is to meet. We shall do our part in saving the world. That is beyond doubt. The danger is that, in the face of all the present national selfishness, we will overdo it. We must beware of saving the world for everybody but ourselves. Noble gestures are exalting but footing the bill is painful. After the World War we found that gratiture was fleeting but that the consequences were enduring. We hope our course at the Conference will win gratitude and also our share of the bacon—if there is any bacon.

THE ROAD TO SLAVERY

HAVING done about everything else he could to set back the clock of history, Hitler has now reduced the German people to mere serfs of the state. Every German must hereafter perform manual labor at the dictation of the government. Fascism and Bolshevism are but other names for despotism, and like all despotism it arrives in the end at tyranny. We are sorry for the docile Germans, but for the international good we hope Mr. Hitler will find many things for them to do. We wouldn't mind a little rude resistance, to the end that he may be completely engrossed in internal affairs for a long time. It's probably a good thing for both the Germans and the world that he is now so busy at home. The trouble is that he may bring about so much domestic resentment and ill-will that he will turn to that favorite resort of unpopular governments—foreign aggression. In the present mood of the world that would be the end of Mr. Hitler, but unfortunately, perhaps also of the German nation. The next time allied armies cross the Rhine the German tribes Hitler loves to talk about will be nothing but tribes when they retire. There would be again many German states but no German nation.

BUSINESS ADVANCES

IN the light of the present uncertainty concerning the future of the dollar, it is not so much important that general business is in a substantial upswing, but that much of the improvement springs from sources other than those traceable to speculation in anticipation of inflation. Nor can it be said that the current business upswing is entirely seasonal. For example, over the past few years the rubber companies, so far as automobile tires are concerned, have been waging a fierce competitive battle. Yet at last, here are the rubber companies and the mail order houses —which were the main cause of the peculiar competitive conditions—in accord on higher prices. Again, the other day the Pennsylvania Railroad announced its intention of shortly releasing orders for 25,000 tons of rails, worth about $1,000,000. This will be the first order on the part of this company since the price reduction last fall and is some reassurance as to the validity of the rise in steel operations. An electrical equipment company has just obtained an order for turbines in the amount of $1,100,000. The earnings reports which have come to hand for the first quarter are not perhaps as poor as might have been expected in view of such adverse factors as the banking moratorium, and here and there actually have occurred dividend increases. While somewhat difficult to prove, nevertheless it appears certain that part, at least, of the gain in raw material and commodity purchasing cannot be laid at the door of inflation fear. Finally, certain black spots in excessive surpluses shows signs of clearing. It seems as if there will shortly be a marked reduction in copper output and plans are being made to rectify the present deplorable conditions existing in the oil industry. In themselves perhaps these things are not so significant, but they are straws showing that there is a steady breeze, blowing toward better business despite the eddies set up by monetary uncertainty, from a world of better business?

ANOTHER NOBLE EXPERIMENT

THE effete Farm Board has sold the last of its wheat of accursed memory. But as the Board fades unmourned there comes over the horizon another farm-derived political organism of even greater potentialities for evil. The Farm Relief bill, carrying inflation on its back as a free rider, is about to step out as another "noble experiment." The same will be the boldest effort ever made west of Russia to redistribute national income. Through the instrumentality of a sales tax, whose proceeds are never to go into the national treasury, income is to be collected from all the people by the Secretary of Agriculture, made all-powerful for the purpose, and handed over to the farmers. The purpose is noble, the means questionable and the outcome dubious. We sincerely hope the experiment will succeed, but we trust that its success will be accompanied by so much bureaucratic despotism and so much resentment by farmers and the general public that it will leave no progeny behind it. We might feel more alarmed about the four-way inflation program that rides farm relief if we did not have a hope that inflation may beat the newfangled scheme to rural prosperity.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 56. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, May 8, 1933.

As I See It ~ *By Charles Benedict*

Let's Meet the Nation's Problems Together

THREE and a half years of adversity have passed with the greatest number of people unemployed in the country's history. Four winters with suffering for many, comparable only to war time, have been endured. Yet the cries of discontent against the current order, against the American system of government, have been scarcely detectable until recently. Now, when the signs of a genuine turn in the tide are encouraging, an ominous note is here and there sounded. A few groups in desperation would demand more than a new deal from a change in political leadership. A restiveness born of the slow processes by which our economic wounds are healing is discernible in the actions of western farmers who so far disregard law and authority as to drag a judge from his bench to prevent foreclosure sales and who now threaten to withhold farm produce from market unless their demands for relief are met. In Chicago a mob of 5,000 unpaid school teachers storm the City Hall,—nothing dangerous or revolutionary in that, you say, but note that in their present plight and in their active demonstration these teachers are fertile ground for the serpentine words of the radically-inclined organizer. In New York 45,000 political malcontents, of various intensities of redness, march on May first, flaunting banners calling for a Soviet America and an overthrow of the present order. Similar demonstrations went on elsewhere—peacefully, it is true, and derided by most of the populace—but nevertheless evidencing a discontent with the solution of American problems in the American way. More distantly may be heard the first tramping footsteps of the erstwhile bonus marchers preparing for another advance on the Capital.

Admittedly these are wholly dissociated movements with no common purpose or cause, beyond that of an underlying discontent. On the other hand they are subject to the speech and writings of various misguided, though seemingly intelligent, individuals who delight to emphasize the hardships of our present situation and contrast it with what they fancy might be accomplished by some stupid emulation of Russian Sovietism or German Hitlerism. Such agitators are supported unwittingly in their arguments by the more radical members of Congress and state legislatures who would head us directly into state socialism. They are encouraged by such statements as that recently of a western state governor to the effect that if wealth could not be equitably distributed among those in distress he would force a distribution.

Acme Photo

Moreover, if the innermost reasoning of the soap-box orators and parlor pinks, who glibly talk of the glories of revolution, could be revealed, it would be found that they look upon it as a grand adventure in which they, as leaders, would somehow secure all the advantage of position which would obtain in the new order, as it obtains in any society no matter what it claims to equality. In their citations of the glories of a socialized paradise it will also be found that they view the charms of the more radical systems in the enchantment of distance. Far removed, the sordid details are less discernible. Suppose there is no unemployment in Soviet Russia? In so undeveloped a land there should not be, under any system. Furthermore, according to authoritative observation, even employment is not incompatible with slow starvation there. And who but a people schooled by generations to hardship and harsh discipline could submit to a system so stultifying to individual development as that which prevails in Russia? Who in America would care to see their lives ordered, their institutions, religions and culture modified in the manner in which Hitler is transforming Germany? No one familiar with the facts—no one who realizes that the common people who are supposedly "saved" by an overturn of government are in reality usually the keenest sufferers.

Our system of government is not perfect. No democracy run by humans ever will be, but the ills which have beset us will not be cured by overturning it. Changes in government that are wholesome are made gradually. Changes in the capitalistic system under which we live must be subject to similar slow evolutionary development—not by demolition. A greater socialization of both business and government we may see some day. We are moving in that direction, but it need never be at the sacrifice of that individualism which is a part of the independence of every American, unless we are foolish enough to ignore the rumblings which might grow into a mighty roar in such a critical period as this.

Now is the time to curb the radical malcontents, to suppress individual aspirations which are not compatible with the common good. It is the time to stand as loyally behind the President and the Government as we would if a foreign enemy were advancing on our shores.

Character of Public Participation Adds to Market's Technical Strength

Stimulated Business Activity Supports Inflationary Impulse Toward Higher Levels

Profit and Protection in Common Stocks

By A. T. Miller

ANTICIPATION of inflation has so far brought only pleasing reactions. The headlong rush into equities and commodities has carried prices consistently upward. Even fixed income securities, somewhat paradoxically it would appear, have shared in the good feeling. Business which had begun a favorable climb from the low point of the bank holiday has been stimulated by inflationary prospects, and failing hope has been galvanized into new action.

Psychologically, the nation is richer. Richer in strengthened hope and in paper profits, if not in fact.

Currency inflation, to the average citizen, seems to promise possibilities of almost limitless reach—an easy way out, by virtue of some mysterious power. And mystery has ever been a sharp spur to speculation.

But even in such an upward price surge as has fairly swept the financial community off its feet in recent weeks, a point is reached sooner or later where traders must pause and consider. When a market takes second thought, it may merely be consolidating its advances, or it may be reconsidering hasty conclusions and retracing in part, its previous steps.

Now that the farm relief bill, with its grotesque bag of amendments into which has been stuffed every doubtful expedient of the inflationists, has become a law of the land, a point has been reached where doubts may well enter from three sources: administrative intentions, the long term business outlook, and the position of the market itself.

Inflation Threat or Actuality?

How much or how little of the broad inflationary powers he now holds President Roosevelt will exercise, is still a matter of conjecture. It has been generally surmised that his sudden complacent acceptance of liberal views covered a desire to remove the threat of mandatory legislative action by gathering the reins of control into the executive office.

If this be the President's intention, it may be assumed that he will squeeze the last possible ounce of benefit from the anticipation of inflation and turn only as a last resort to its actuality. In this prospect there is no cause for great concern over the program, for it may never go beyond the first step. And that first step—the purchase of three billions of Government obligations by the Federal Reserve Banks—is no more than the Hoover program multiplied by three. But it has a greater chance of success, because behind it are the more drastic alternatives, should it fail.

In addition to this step, however, it is likely that the status of silver in world markets will be improved by permitting foreign governments to make payments on their debts to the United States in the white metal at the rate of 50 cents an ounce. Such a stimulus to the demand for silver can do no harm; in fact, an advance in its price might be beneficial to our trade with the Orient, which is traditionally a silver storehouse.

While there were some signs of business improvement before Washington clapped its embargo on gold exports and banned gold payments at home, the anticipatory inflational rise in commodity prices is undeniably spreading the contagion of optimism and it may be potent in its myriad reactions upon both trade and industry. The course of business itself, while not entirely clear in prospect, at least now supplies hope that desperate measures may well be abandoned as unnecessary.

Business Improvement

What element of doubt exists in the business outlook arises from the impossibility of distinguishing how much improvement arises from the pent-up demand resulting from the almost complete cessation of all activity in the forepart of March,—how much results from temporary fear of inflation buying,—and how much from fundamental seasonal gains? All three forces are doubtless responsible in part; but this much is certain: the higher level of activity is stimulating employment and hence consumption. The upward spiral is in some degree self-impelling in the opposite manner to the former down-drift.

The element of doubt in the market situation is largely technical. It has gone into the high ground of last September and as this is written is holding its gains with little or no reaction. It would be reasonable to assume that it lacks the potential support of a goodly portion of the large short interest whose frightened covering added zest to the early stages of the boom. But it has achieved considerable stability from the character of the buying. Apparently there are still many on the sidelines who are anxious to participate and whose buying on any signs of weakness turns what would normally be a healthy technical reaction into a sidewise market movement. Of course it is unreasonable to expect that any amount of selling can be absorbed in this manner indefinitely, and one or more corrective intermediate downswings might easily get under weigh at any time without substantially altering the market's main trend or

hamper the prospects of its further advance, as conditions justify. On this basis it would be entirely logical for those who wish to accumulate more stock or who have not yet entered the market at all to buy.

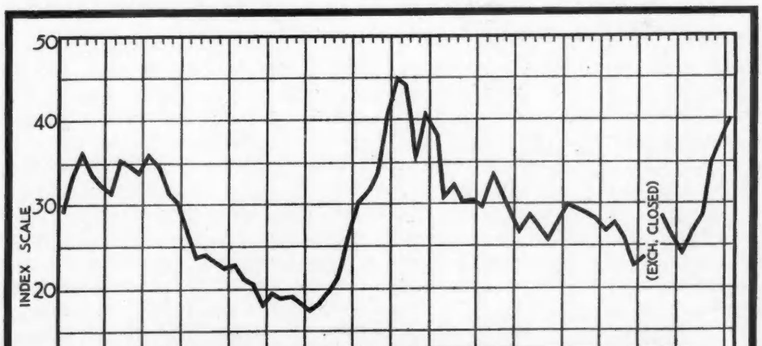
Character of Buying

The market can no longer be said to be predominantly professional. Public participation on a broad scale is unmistakable and there is an important element of strength in the motives of those who have purchased stocks. In large part they are seeking, not an early profit, but protection from depreciation of the dollar. With that aim in view, they are not tempted by swift appreciation and quick profit. Having acquired stocks at fairly low levels they are disposed to hold them. And much of this buying, to judge from the small gain in brokers' loans, must be of the outright, strongbox sort, which could hardly be expected to come back on the market in rush volume except under the most unfavorable developments.

Meanwhile, although actuated by anticipation of inflation, the market is drawing encouragement from impressive signs of business improvement. For the first time since the long downward course began, steel mill operations have risen above the level for the same date in the previous year. Output was doubled in April with the average rate of operations around 30% of capacity. Railway car loadings are giving satisfying indications that stronger commodity markets mean heavier traffic. Automobile production and electric power output have gone ahead for six consecutive weeks. And as yet there is no indication that the peak of motor sales has been reached. Commodity prices scored an impressive advance in April, and in common with other indicators are close to the levels of a year ago.

Based on recently lifted quotations for crude rubber and cotton, the leading tire manufacturers have raised prices an average of 5 per cent, and capacity production is under way in some units. Reports are filtering in that various industrial companies are responding to expanded buying by raising production schedules and putting, in the aggregate, thousands of men back to work.

Of course the improvement to date and more has already been discounted in most stock prices. The industrials as a group have appeared to be making a top for several days as the levels of last September are approached. The rails have responded to the heavier movement of freight and the prospect of co-ordinating legislation, but over this group hangs the threat of agitation by the Interstate Commerce Commission for lower rates. Of course, what the railroads need, perhaps more than anything else, is more freight, and if the volume of general business is sufficiently stimulated by natural and artificial means to provide that requirement, lesser evils may be mitigated.



The utility group is somewhat in the same position. It has lagged behind the market, but shows signs of coming forward, as the mounting curve of power consumption outweighs in the minds of traders the ominous threat that the 3-per-cent tax on domestic electricity will be transferred from consumers to the companies themselves. But both the rail and utility groups are at an obvious disadvantage in the face of inflationary tendencies which are liable to shove their costs up faster than they can obtain authority to advance their fixed service charges.

Of the so-called commodity stocks, the coppers and rubbers have recently come forward in response to a strengthening in prices. Oils have been held back by price-cutting and the realignment of production limits in the East Texas field, as well as the effect upon trading sentiment of the passing of its dividend by an important member of the Standard Oil group. The situation in the petroleum industry, however, is so acute that improvement rather than further decline seems inevitable.

In the bond market the speculative issues have continued to do better than the high grade issues. Government bonds, perhaps helped by the assurance of heavy Reserve purchases, have in a measure ignored the equally assured outcome of persistent increases in the public debt to meet the "extraordinary budget" under which will fall expenditures for relief and public works. The wise investment policy would still seem to be to dispose of at least a part of one's holdings of the strictly high grade bonds, and put the proceeds into sound equities or bonds slightly below highest grade offering a somewhat better yield. This will provide a safeguard against diminishing purchasing power of investment income.

A Higher Base

It is possible that stocks may encounter some further resistance around the present levels. Some indication of administrative intentions with regard to inflationary powers might be a decisive factor in helping to overcome this resistance, as might also more convincing evidence as to long term business prospects. Barring either of these, any reaction at this stage is likely to establish a higher base than has prevailed since last summer.

Therefore, those who are interested in protection and the possibilities of further profit may still acquire sound equities on such reactions as occur, with the intention of holding them at least until the outlook becomes clearer. In its present set-up the stock market has a definite cushion to absorb possible shocks and render short selling cautious. The cushion is promised inflation which will not collapse unless and until business recovery becomes decidedly vigorous. And in that event no one will mourn its removal.

If we had not declared a gold embargo, the flight of American capital from a devalued dollar and the raids of foreign speculators would have so depleted our gold as to force us off that standard in the space of a few weeks.

The American Dollar At Home and Abroad

Where It Stands Today — What of the Future?

By THEODORE M. KNAPPEN

TWO months ago the gold dollar was well symbolized by the haughty American eagle defying the world. Often attacked but always triumphant, it was hailed as the invincible champion of sound money faith and hopes.

Since then gold payments, domestic and foreign, have been suspended, the Government has commandeered all monetary gold and made it a crime to possess it. The fight for the gold standard has been given up and the United States is off it. The impossible has happened.

Most foreigners and some Americans think that the United States has ignominiously confessed defeat and surrendered to the paper-money world. They make the mistake of confusing the real objective of the battle with a change in its strategy.

The objective is to protect America against the devastating effects of a war waged against us with cheap money as the principal weapon. We thought that to stand by gold was the way to stand by ourselves. We have found that while our allegiance to gold was magnificent it was not war. So we have abandoned the defense of gold and have taken up an offensive against our economic enemies with the very weapons they so effectively used against us. This dramatic shift in the order of battle has aroused consternation abroad and revived hope at home. It has resulted in profound changes in the value or prospects of every currency in the world.

Gold Still Behind Our Dollar

Our own dollar, of course, has been affected profoundly. It is a paper dollar—and yet it is vastly more. For still in reserve behind it is the greatest hoard of gold in the world, ready to be called back into action at an auspicious moment. It still serves as the measure of volume of paper money and, therefore, as a buffer against extreme depreciation in a period of monetary "martial law."

Measured in one commodity price index the paper dollar is now at a discount of about 20 per cent, assuming that prices before April 18 represented the value of the gold dollar. Taking the French franc as the index of the paper dollar it has fallen 16 per cent at this writing as compared with gold. On the basis of commodity prices in Britain and the United States while both countries were still on the full gold standard, the gold parity of the paper pound was $3.867 before we scuttled gold. Just before suspension sterling exchange was around $3.42. It is now in the neighborhood of $3.88 (gold par $4.86) in New York. In London it has been almost $4, and with regard solely to present commodity prices in the United States and England it should be as much as $4.12. But there is no calculating what the steady pressure of the demand for dollars to meet the chronic balance of trade and finance in our favor may yet accomplish for the dollar. It may rise nearer to that $2.50 to the pound the British wish than the $3.90 our government favors as the stabilization point.

The Ditching of the Dollar

It is commonly assumed that there was no necessity for the United States to suspend gold shipments, as the outflow of gold had not been great. The suspension has been attributed to a deliberate intention of raising commodity prices in this country and also to deprive Premier MacDonald of some of his best trading stock in the conference with the President. But it is now plain that the inflationary movement in this country would have led to a pronounced flight of capital in the form of gold if the bars had not been put up for an indefinite period. If that is the case the suspension of gold shipments was highly desirable before our stocks were greatly depleted. As the situation now stands we have almost as much gold as we ever had and are beholden to nobody for a sufficient gold base whenever we choose to return to the gold standard. It would be Quixotic to say that we should have rashly held the fort for gold until there no longer was any to defend. Viewing the action from another angle, American citizens would have been outraged if we had continued to ship gold abroad when it was not only withheld but taken from them.

Similarly, the nice point of honor that is raised in connection with the refusal to meet government obligations in gold or its currency equivalent must be considered in connection with the general suspension of gold payments at home and abroad. To pay gold from the Treasury to United States residents would have been a farce, for the law already made it a crime for anybody to have more than $100 of gold in his possession. The same applied to gold certificates, which are simply circulating receipts for

gold. It may be impressively contended that domestic relations of a government are in a different compartment from its relations with foreigners, and that the latter had a special ethical claim for consideration. It has been recalled that in the Civil War period the foreign holders of United States obligations were always paid in gold or its equivalent, even when gold was at a premium of $2.50. It is also noted that when England went off the gold standard foreign owners of British obligations continued to be paid on a gold basis. This may have been the result of a scrupulous regard for honor, but it may also have been with an eye to the fact that Britain had insisted that the government of France had swindled English investors in French franc (not gold) bonds, when francs were worth 19.3, by paying them off in francs which were worth only four cents. The accusation as well as the claim against France would have fallen flat if England had insisted that a pound was a pound, whether paper or gold. Again, gold payment of United States obligations to foreigners and not to Americans would have been received with rage in the United States.

When Is a Dollar a Dollar?

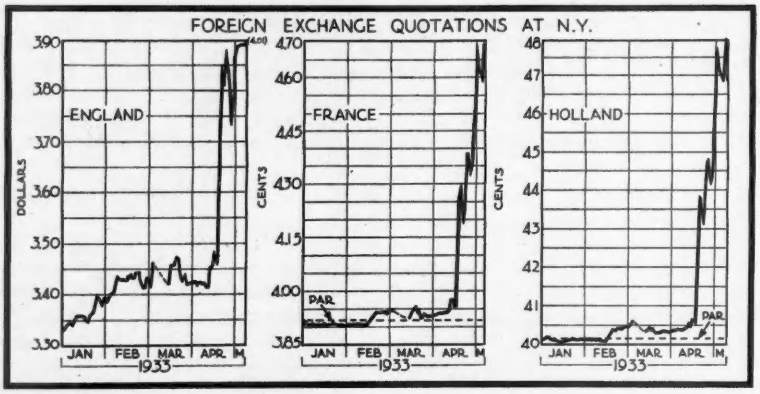
Nevertheless, there is a pronounced feeling among some American holders of Governments that, regardless, of the suspension of gold payments in general they are entitled to be paid in gold as "denominated in the bond" which reads payable in gold "of the present standard." The question may get into the courts, and is certain to get there, if the gold dollar should be devaluated. Should the dollar be reduced 50 per cent in its weight of gold the man who lent his dollars, to the Government in good faith would in effect be penalized 50 per cent. Not only that but the probable coincidental rise in prices would expose him to further maltreatment. The question of what would be the moral obligation of the Government in the case of devaluation has been discussed at length in the Senate. It was conceded by proponents of devaluation that the question would ultimately go to the Supreme Court. The subject was also discussed of what would be the obligations of the issuers of private bonds and of mortgagors when their obligations contained the gold clause. Here it was felt that the situation was more clear, inasmuch as there is no constitutional prohibition of the Federal Government from impairing contracts, although the Constitution denies that power to the several states. Advocates of devaluation contended that the constitutional power of the Federal Government to coin money and regulate the value thereof not only gave the Government unqualified authority to change the weight of the dollar without regard to inequitable consequences to individuals but by implication superseded the gold clause in private instruments of indebtedness. The point was made that if private obligors could bindingly specify the kind of money to be used in discharging their obligations they were infringing on the right of Congress to regulate the value of money. The high honor champions felt that in authorizing the President to change the value of the gold dollar the law should provide for payment of outstanding United States obligations in the present gold dollar or its equivalent.

Still Promising Gold

While the dispute is going on the Treasury department continues to issue obligations with the same old gold clause and is discharging maturing undertakings with no attention whatever to it. So far as known nobody has yet stood on his literal rights in collecting, nor has the eclipse of the gold clause affected the price of new issues. Neither has the possibility of devaluation appeared to impair the credit of the government, although it is asserted that it is hav-

ing a paralyzing effect on municipal and corporate bond issues. The public evidently regards the sensational endowment of the President with authority to alter the dollar as mere trading stock for the coming International Economic Conference. And yet it asserted in some more or less expert quarters that a genuinely equitable realignment of gold in its relations to values in different countries would call for a cut of one-half in the gold content of the dollar.

Actually, prices had declined 40 per cent, before we deserted gold, measured in the cost of living since 1929. Yet no bond owner was so meticulously scrupulous as to urge his poor government to pay him less in interest and principal in the name of equity. It may be concluded that Uncle Sam will hold that a dollar is a dollar by virtue of his stamp on it, and that there will be no compensatory adjustments of settlement checks, even if it could be ascertained whether there was a domestic depreciation of the dollar.



Similar reasoning will probably be followed by the old gentleman in case he should cut a piece out of the gold dollar. Admitting that he had borrowed a complete gold disc and was returning it with a gaping hole, he might say that the hole was a just offset against decreased prices. The courts may be expected to uphold the Government in whatever it does. They will hardly hold that the Government of the United States is bound to maintain its money as the one unalterable and unchanging thing in a world that is staging a series of lightning-change acts.

The literal observance of the gold clause is, it is generally conceded, impossible. The clause has been accepted the world over as substantially complied with by the payment of the currency equivalent. The United States, relatively great as its gold pile, could not be envisaged as paying out more gold than it has or ever could have in taking up a bond issue.

But what about the billions of foreign gold-clause obligations to us? If we pay in unadjusted dollars, foreigners can claim the same right.

Supposing the Unlikely

Let's suppose the Government should feel obligated to meet the supposed spirit of the gold clause. The premium in currency could be determined by the exchange value of the paper dollar in foreign markets when dealing with foreign holders of United States obligations but what about the domestic rate.

Are we or are we not on gold standard prices in domestic business, notwithstanding the official obliteration of the gold dollar as a medium of exchange and property possession?

Has the domestic purchasing power of the dollar declined in respect to gold by reason of gold suspension? Who can say? Raw commodities have undoubtedly advanced sharply. But does that prove that gold is at a premium? During and after the World War we had price inflations that dwarfed the marked advance in certain commodities in recent weeks. The gold situation then was much what it is now. Export was forbidden and convertibility was practically, although not legally, impossible. Nobody thought of demanding gold from the Government by virtue of the gold clause in 25 billion dollars of Government bonds. Yet measured by what the dollar would buy, it fell 60 per cent even though it was a gold dollar. People said prices had gone up, and let it go at that.

Now let's turn the question around and ask what would be the obligations of bondholders when prices decline, meaning that the purchasing power of gold has risen. Would they invite the government to repay them in fewer dollars? They would not!

Turning away from nice questions of honor and justice we find that the fact is that the importer's dollar has been depreciated. That is to say that when he comes to buy foreign currencies to pay for foreign goods he has to put up more dollars. Whereas before April 19 he paid $3.42 or thereabouts for a pound sterling he now has to pay somewhere around $3.90. The American exporter, on the contrary, finds that the important thing for him is that foreign currencies have appreciated, which means that fewer francs or pounds will buy a given number of dollars; and that means in turn that a given number of units of foreign currency will pay for more of his goods, his prices remaining the same. That is the same thing in the foreign market as a reduction of price. The American exporter can thus raise his dollar price and sell abroad for the same price as formerly if he can get away with it. Or he can keep his dollar price and lower his foreign currency price. He is thereby armed for competition—which throws a revealing light on foreign deprecation of our "repudiation" of the dollar.

As a business instrument the cheapened dollar promotes exports and hinder imports. Which is exactly what the country has been clamoring for. As a stimulator of domestic business cheapening the dollar has the protective tariff temporarily beaten, for the latter may raise or keep up domestic prices but the monetary shift does not only that but reduces foreign money prices for American goods.

The War of Moneys

This winning both going and coming seems hardly to make sense—but there it is. Foreign nations off gold had the "drop" on us until we deserted the old gold ship and took to the rolling seas of money privateering ourselves. But we may be sunk yet. Those adroit Britishers have doubled their exchange equalization fund, which is equivalent to a fund to boost the sterling price of the dollar. (Remember that raising it means reducing the amount of American money that will buy a pound—so when the dollar exchange rate of sterling falls the dollar gains and vice versa.)

The French, still sticking to the gold standard, with

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Fixed Income or Guaranteed Purchasing Power?

A Thought-Provoking Suggestion Which Strikes at the Heart of the Debt Question

By Charles F. Hoyden

All of the difficulty and distress of debtors today arises from the fact that the fixed number of dollars in which interest and principal are payable differ in purchasing power from those under which the obligations were contracted. The author of this article offers a valid suggestion in advancing the theory of fixing all payments in terms of dollars whose number is governed by their purchasing power.—Editor.

OWING to an unfortunate combination of circumstances, we have gone to live with my Uncle Henry. Concerning the unfortunate circumstances, it may be said that they included during 1928 and 1929 an implicit faith in the prophets of the "new era," a misguided belief that I could continue forever to sell an expensive luxury, and finally a certain myopic astigmatism which caused me to purchase—on a shoestring—a handsome residence in one of our handsomer suburbs.

The loss of the house was a real blow. But there was nothing that I, whose income had dropped from the twenty-thousand-dollar level to the point where the income tax people didn't even bother to be nasty, could do about it. I couldn't even pay the interest on the overdue interest of the mortgage, never mind . . . . well, why bother. We went to live with Uncle Henry.

As a penniless nephew in an uncle's house, it clearly behooves me to do a considerable quantity of polite listening. I never did this very well, but I'm learning fast and beginning to like it.

Uncle Henry is no genius, of course. He is merely a more than ordinarily prosperous small-town business man. At the present time it is not his brick works which is causing him the greatest anxiety. But he has the greater part of his money invested in mortgages and what has happened to the "safest investment in the world" over the past three or four years is common knowledge. He has naturally done everything which a sensible and humane business man would do under the circumstances, but that such a situation of foreclosures, suffering and social disintegration should ever have been permitted to take place is what upsets him. To him, the pitiful part of it all is that it could have been avoided.

While I think no man who has come to Uncle Henry with a justifiable case of inability to pay ever has gone away without his burden scaled down to some extent, the mention of a formal scaling down of mortgage principal and interest is like a red rag to a bull. He raves, and he rants, and the gist of his remarks is to the effect that he doesn't mind making sacrifices when times are bad, but he's doggoned if he's going to make the loss permanent even in the event that prices and business come back. He's perfectly amenable to the scaling-down process which is so much the vogue these days, but he believes equally implicitly in a scaling-*up* process should times change.

Moreover, he contends that this should be worked out more or less scientifically and not in any such haphazard manner as he himself has been following. It's all very well, he argues, to permit a debtor to pay you a smaller interest rate when prices are low and insist upon the collection of all arrears when prices go up again, but it puts too much strain upon the individual's sense of fairness. What we want, he says, is something which will hook interest rates to prices.

Uncle Henry's system—for which, so far as I know, no patent has been granted and which he actually is in the process of carrying out with his own debtors—contemplates having the mortgages which he holds changed from contracts to pay dollars to contracts to pay purchasing power. A local mortgagor, for example, who borrowed $10,000 in 1928 is to have his mortgage cancelled and is to give in exchange a new one—figured on the basis of some recognized index—made out in units of purchasing power. Uncle Henry's lawyer says that there is no reason why a man should not give a mortgage on his property to assure the safe return of the same purchasing power—it does not have to be the same number of *dollars.*

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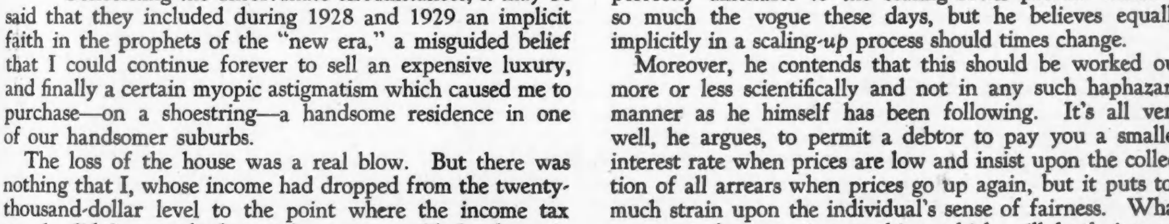
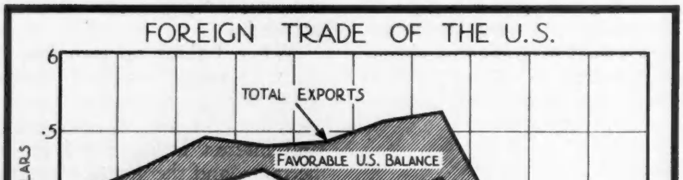


The Dream of Recapturing a Forty-Billion-Dollar Market

Trend Toward Self-Sufficient National Economic Unity Hampers Restoration of Former Volume of International Trade

By John C. Cresswill



If John Doe and Richard Roe should realize that in 1929 they sold to and bought from each other a total of $68,000 worth of goods, whereas in 1932 their mutual trade fell to $26,000, they would be equally interested in trying to ascertain the cause. Each would be glad to return to the 1929 relation. Neither would hesitate to buy more from the other again if he could sell more. They would understand clearly that the more they bought and sold from and to each other the better off they were.

Now all the nations of the world sold—exported—and bought—imported—in 1929, 68 billion dollars' worth of goods; and in 1932, 26 billion dollars worth. Shouldn't they be as much interested as Messrs. Doe and Roe in restoring the lost mutual trade?

They are and they are not.

They say they are, but what each nation really wants is to sell as much or more as in 1929 and buy as much less as possible.

That would make Doe and Roe laugh.

"For," they would say, "buying and selling back and forth is only another way of bartering—and fair exchange is always profitable. No matter how involved the processes of buying and selling through a medium of exchange they always resolve themselves into a trade."

Are they wrong? Is there a difference between trade between nations and trade between individuals? If individuals profit by exchanging goods freely, do not nations also profit?

Whatever the abstract answer may be the cold fact is that there is scarcely a nation in the world that would give an unqualified affirmative answer. They infer that if trade is a good and desirable thing the more of it they can keep at home on both buying and selling ends the better for them. That view is strengthened by the indisputable fact that so long as nations are nations there will be controlling considerations other than those that govern the commercial intercourse of individuals.

In proportion as it is economically dependent upon other countries, a nation is also politically dependent upon them and suffers an impairment of its sovereignty and independence. Its freedom of action in politically serving its people is limited and in time of war it may be defeated in the economic field even though victorious in battle. The possibility of war must always be considered until (in a slight conversion of Tennyson),

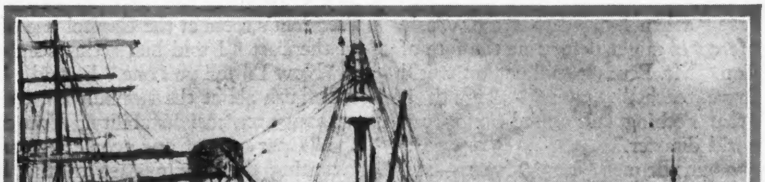
—the war drum throbs no longer and the battle-flags are
furled
In the Parliament of man, the Federation of the world.

The defeat of Germany in the economic combat during the World War assured her ultimate military defeat, once the struggle between the armies became one of endurance. That lesson has impressed itself upon every nation in the world. Aside from deliberate policy, the war accelerated a natural tendency to diffuse manufacturing industries over the world. Not only the combatant nations, but also the neutrals were compelled by the force of circumstances to establish new industries and build up weak ones. Thus the end of the war found a great shift in the old grouping of nations into producers of foodstuffs and raw materials on the one hand and industrial nations on the other. Again, the war compelled also a great stimulation of agricultural and raw stuff production in many of the very nations that were simultaneously embarking on or intensifying their industrialism. But the moment hostilities ceased, and even before, the belligerent nations began intensive cam-

paigns to increase their domestic output of food crops and of industrial materials. Thus at the same time that many nations made great forward strides in manufacturing some of them became more dependent than ever upon foreign outlets for the products of the fields, forests and mines just as those outlets were being constricted. So, both in war and peace, the nations have been reminded of the perils of foreign dependence.

The Economic "War"

No longer is the world trade picture one of nations happily exchanging raw goods for manufactured goods. It has become rather a battle of all kinds of producers in each others' markets. Manufacturing nations strive to cross-sell identical products in other manufacturing nations and there is even much cross-hauling of agricultural products. Instead of the old scene of mutually desirable exchange of complementary goods, the whole world has become the scene of a cut-throat competition in which the necessities of the nations that must export in huge quantities or decline cause unprofitable production everywhere. Some nations, England and Germany for example, simply must export at almost any cost or perish. Their populations have grown beyond the capacity of their natural resources to support them. The surplus millions must live on foreign trade. Other nations, of sparse population and abundant resources, have developed production far beyond absorption by their home market. Both groups must regain their share of the lost 40 million dollars of foreign trade or decay. Some of them are dependent upon foreign trade for as much as 50 or 60 per cent of their income and many for 20 to 30. Without it they are deprived of the ability to purchase needed food and raw materials even for home consumption, or suffer dire lack of manufactured goods. All of them look longingly at the United States which has half of the entire world market for the principal industrial products and derives only 6 per cent of its income from foreign trade.



Kasimir Etching, Courtesy, Kennedy & Co.

The depression has contributed to a further shift in the fundamentals of international trade. It has thrown nations back on their own resources in a manner similar to the effects of the World War. Monetary and fiscal difficulties have necessitated every possible restriction of imports, thus encouraging diversified domestic production. The nations which must export will find that even with a general revival of trade they will never again have as free a field as they had before.

Weapons of the Combat

It is to meet this change in the bases of world commerce that England has returned to protective tariffs and other measures designed to implement the conversion of the nebulous political unity of the British Empire into substantial economic unity. Similarly France has turned from dreams of foreign trade to the development of her great empire as an economic whole.

Some of the smaller nations are seeking a larger economic unity through regional trade and political alliances which may be the beginning of mergers into new and better balanced economic areas. "Danubia" and the states of northwestern Europe are examples. The world is in a continual skirmish of guerilla-like trade war. Limitations of imports and exports—"quotas"—trade licenses, differential tariffs, administrative tariffs, irritating and clogging regulations, export subsidies, shipping bounties, are almost universal. Many, no doubt, are transitory, but generally there is behind them all a motive of national defense or aggression. There is much camouflage talk of the blessings of voluminous international trade, but when closely scrutinized the motive is often found to be the acquisition of the American market — at once the richest in the world and the most completely occupied by domestic mutual trade.

World trade is destined to grow relatively less and less, as compared with domestic trade. We are in the midst of one of those huge economic changes that reshape the world. The historian, Alison, asserts that it was not the swords of the barbarians, but the failure of the gold and silver mines that overthrew the Roman empire and brought on eight hundred years of chaos in Europe. The universal dissemination of industrialism is working a profound change in the world today. Nations which can not adapt themselves to the requirements of near self-sufficiency are doomed to deterioration.

In the throes of the depression it has seemed to many of our people that the loss of foreign trade having been a considerable element in our own discomfort and un-

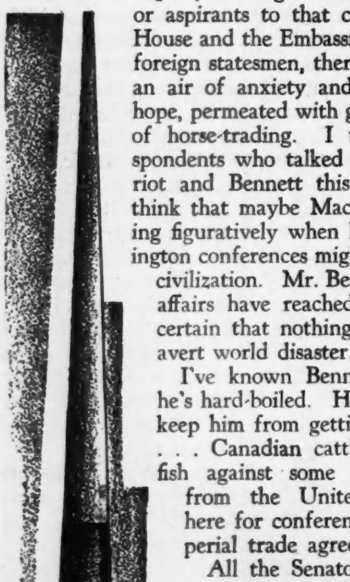
(Please turn to page 91)

Intimate Letters of a
& His New

WASHINGTON, D. C., May 1, 1933.

DEAR PERRY:

I've simply got to confess that this situation in Washington, nationally and internationally, has become so chaotic that I can't keep my bearings. Among our own statesmen or aspirants to that class, and at the White House and the Embassies and Legations among foreign statesmen, there has been all this week an air of anxiety and confusion mixed with hope, permeated with gravity, and yet redolent of horse-trading. I think all of us correspondents who talked with MacDonald, Herriot and Bennett this week really began to think that maybe MacDonald was not speaking figuratively when he said that the Washington conferences might determine the fate of civilization. Mr. Bennett told us that world affairs have reached a point "where it is certain that nothing but united action can avert world disaster."



I've known Bennett for 30 years—and he's hard-boiled. However, his fears didn't keep him from getting down to brass tacks . . . Canadian cattle, copper, lumber and fish against some miscellaneous nothings from the United States. Canadians here for conferences tell me Ottawa imperial trade agreements are a total dud.

All the Senators and Representatives are bombarded by telephone, telegraph and mail as to the outright and implied meanings of the proposals to give the President authority to devaluate the dollar and force inflation through the Federal Reserve or greenbacks—or both. That speech of Senator Thomas about taking $200,000,000,000 away from creditors and giving it to debtors seems to have turned the nation pale. That is, part of it. The rest of it—and much the larger part, judged by Congressional mail—is flaming red, loudly applauding inflation as the salvation of the country—come none too soon.

I was talking with a Senator when a man, who turned out to be a farmer from Iowa, broke into our conversation and did me the honor to ask whether I was Senator Wagner. I told him I wasn't but considering the circumstances I probably knew just as much as the Senator did. "Well," he said, "we are just about ready for revolution out in Iowa. I am risking all I've got left in the world that inflation will turn the trick and that we will be prosperous within 90 days. I just borrowed $500 on the security of two farms to raise money to stave off foreclosure and loss of a 5,000-acre ranch for which I refused $300,000 in 1919. If the inflation gamble doesn't win I lose out—and there are millions like me."

Just after the talk with the farmer I encountered in the President's room at the Capitol one of the greatest capitalists of the East. I told him about the farmer.

"Now I'll tell you one," he said. "This inflation business will finish about the last bulwalk we have of economic and perhaps even social stability. You can call it a bill to ruin the 75 per cent of our people who still have jobs of a kind. Granting that the passage of this bill does not paralyze, through fear on the part of capital, all our remaining business activities, it will impose unbearable burdens on the wage and salary classes. It's a bill to ruin credit and destroy money."

A few minutes later I got another reminder of changing times. I was crossing a street and, glancing ahead, I saw one of the most conspicuous officials of the Hoover regime waving his hand to catch my attention. Two months ago I had to cool my heels in an ante-room for two hours to get a fleeting moment with this man—and there he was waiting to receive me like a long-lost brother. He was just lonely and longing to talk to somebody. "Everything is in flood," this man said, "with foundations submerged and their structures afloat. We're in for the last great crash of all, or else for the most spectacular business recovery in history. I've just bought a variegated assortment of common stocks—with my eyes shut."

I had hardly departed from the pillar of the Hoover Administration when I encountered the vice-president of a life insurance company.

"What do you think?" I asked.

"Can't affect us," he said. "Good money or bad money, it's all the same to us. We pay out the same kind of money we take in."

All this money business is nothing but a fight between Wall Street and the plain people, was what I gathered from a radical senator. "And those smart devils have beaten us again," he said. "There will be no greenbacks. The President will do all his inflating through the Federal Reserve. What those Morgan fellows want is Federal Reserve inflation—their kind. This Federal Reserve money is the sort they can control—confidence money. And the President is falling for their game."

Next met a banker—Republican office holdover. "Inflation? Okay. Business better already."

Washington Journalist
York Broker

Do you see what I mean about being all balled up?

After this I went into the press gallery of the Senate and listened to a high-pressure debate about what would happen to bonds and mortgages with the gold clause "of the present standard of value" if the gold content of the dollar was reduced. Somebody, I think it was Senator Connally of Texas, raised the point that whereas the Constitution forbids a state to make a law impairing the obligation of contracts, there was nothing said about the Federal Government doing so.

"Ah, but it was assumed," drawled Senator Glass, "that the Federal Government was a gentleman."

After the gallery I circulated around the press lobby and found a dazed and disconcerted group of correspondents trying to get both bearings and moorings after reading editorials in their staid old papers in favor of greenbacks, more or less silver, and hi-jacking the Federal Reserve—papers that a month ago considered the gold standard the very Ark of the Covenant of our prosperity and survival.

And now, Perry, if you have read this far you will be wanting to know what I am driving at. I don't know and I don't think; I just feel. And, well, I enclose some buying orders that will put me in about the same position as that Iowa farmer. It's a boom in 90 days or bust. Of course, I predict a boom.

Yours for the great adventure,

DON.

NEW YORK, May 3, 1933.

DEAR DON:

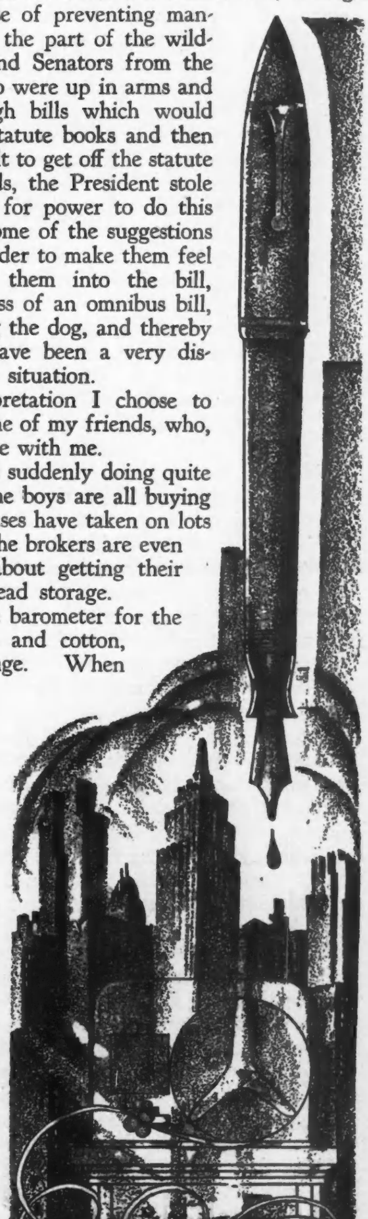
Thank you very much for your last letter, which was very interesting, particularly that part where you say that it is a boom for ninety days or bust.

Maybe my mind is a little different from the rest of the boys, but I swear I cannot see where a dilution of the currency or inflation of the kind that has been suggested in the Bill, will do anything other than bring about the ruination of the country.

Certainly I am in favor of a higher price level. Certainly I am in favor of the farmers making a living and of people having jobs instead of walking the streets, but I say that you simply cannot do it and pull yourself up by your own boot-straps.

You can take all your bills in Washington for all I care and throw them into the scrap heap. There is only one thing that is going to bring about a return of some semblance of business and prosperity in this country and the rest of the world, and that is the stabilization of the exchanges at some fixed point. I don't care if the pound is stabilized at $4 or $3 and the rest of the currencies anywhere along the line, but get them stabilized at *some* point. Get reciprocal tariff reductions and permit trade and commerce to flow uninterruptedly between and among the nations and then you will have *some* basis for looking ahead.

It is my understanding, and correct me if I am wrong, that the President's Inflation Bill was a masterful, strategic move for the purpose of preventing mandatory legislation on the part of the wild-eyed Congressmen and Senators from the West and South, who were up in arms and ready to put through bills which would have gotten on the statute books and then would be very difficult to get off the statute books. In other words, the President stole their thunder, asked for power to do this thing himself, took some of the suggestions from everybody in order to make them feel good, then jammed them into the bill, making it more or less of an omnibus bill, with the tail wagging the dog, and thereby saved what would have been a very distasteful and unsound situation.



This is the interpretation I choose to place upon it and some of my friends, who, are in the know, agree with me.

Down here, we are suddenly doing quite a lot of business. The boys are all buying and selling. The houses have taken on lots of help and some of the brokers are even beginning to think about getting their automobiles out of dead storage.

At the moment the barometer for the market is not wheat and cotton, but sterling exchange. When sterling goes up, the market goes up and when sterling goes down, stocks go down—but not far.

Little pools are beginning to operate and the tips are flying fast and furious. The ticker runs behind. The floor brokers are dog weary at the end of the day. The electric lights are burning late in the office buildings. The restaurants are filled at night—and the boy who sells white carnations outside

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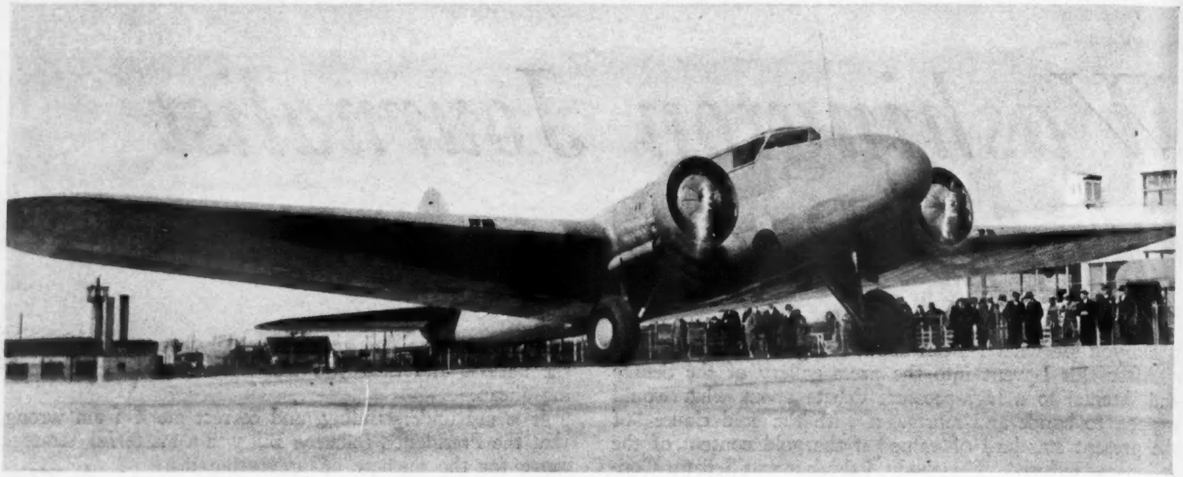

New Three-mile-a-minute Coast-to-Coast Plane of United Air Lines, a Type Rated as the Fastest Multi-motored Transport in the World

The "If" in Aviation

Government Policy Will Determine Profit Prospects for Aircraft Stocks

By Howard Mingos

A VERY large share of the aviation stock certificates passed out before the market collapsed are useful only as relics of the Lindbergh flight which happened in 1927 and inspired the most senseless orgy of "blue sky" speculation ever seen in this country. Hundreds of millions of dollars spent on the stocks of some aircraft companies, air lines and their auxiliaries are gone, leaving not a trace unless it be an abandoned factory or mud flats, which once sold for ten times their value, to become a deserted airport.

Fortunately for the future of the flying industries the phoney aviation companies have melted away in the last gasps of hot air with which their promoters tried frantically to inflate these bubbles as late as 1931. Sheer inability to buy has for the time being freed the gullible from the absolute fakes. At the same time it is preventing over-exploitation of the genuine enterprises in a highly technical and therefore little understood industry. All of which brings us to the present.

Nearly all aviation has now passed into the hands of four groups. There are a few exceptions, airplane manufacturers building on order for the military services and an even smaller number of independent short haul air transport lines; but they are not of interest to the average investor because their operations are limited, relatively small, capital low and stock interest closely and locally held. The big four, described in the accompanying table, from now on will write the figures in the securities market.

These four groups either directly or indirectly control Pan American Airways operating throughout Central and South America, also a varied assortment of instrument companies and other producers of auxiliary equipment.

They are, generally speaking, in able hands; that is to say, the executives in charge of operations are experienced, reliable and eager to build up their careers in these companies.

Cash position fair, about as good as you will find in any industry. The deflation process has been completed. Inventories have been reduced to a minimum or written off entirely. Salaries are reasonably low, even at the top. Deficits are being reduced to the vanishing point, unless the bookkeeping is deceptive. Some units have recently jumped into the black for the first time.

Business prospects?

There we come to the ifs in aviation. The only thing these people have to sell is flying. Air transportation, mail, passenger and freight, and flying equipment are their only articles of trade.

Their customers include:

- About a half million persons flying over the air lines this year.
- Shippers of air express, promising but negligible at present.
- Foreign air lines and governments buying American equipment when finances permit.
- The Army and Navy buying equipment for the air forces.
- The Post Office Department paying the lines for flying air mail.
- Aerial service and private flying now provide a very low market for equipment.

As in the past all the larger companies must depend upon

the Government for a very large percentage of their business; and until conditions improve greatly, the extent of government patronage will determine their income.

The aircraft plants cannot sell enough planes for private flying to pay expenses; and until that business picks up several hundred per cent, their principal sales outlets are the military forces and the air lines.

No air line at present can provide first class service, with co-pilots, two-way radio and proper equipment and make a profit unless it has a profitable air mail contract. Accept that as an axiom, because it is technically true.

The average cost of operations on our air lines today is 70 cents a mile. The operator must receive that to break even. The air mail lines this year will fly about 40,000,000 miles and will receive from the Government something less than 50 cents a mile for mail. With air express in negligible volume, they must get 20 cents a mile from passengers, or at the present average of 6½ cents, three passengers a plane. Some of the lines have been receiving more than that number and are paying; but here's the sand in that motor.

From about twenty million dollars this year the air mail appropriation for the next fiscal year beginning July 1 has been cut to fifteen millions; and there is no telling what may happen in Washington, or which company will suffer most.

President Roosevelt will have authority to cancel contracts, abolish mail routes where he sees fit and even take away the Federal maintenance of the airway routes; but he will not do so unless the pressure for economy exceeds the necessitous demands of national defense. There is under way, however, a Congressional investigation which might result in legislating aviation into the doldrums of the pre-Lindbergh period. One hears of serious moves to break up companies with building and operating units, of stringent Federal regulation more severe even than that to which the railroads have been subjected. It isn't at all funny, this idea of making aviation the plaything of politicians and theoretical economists who gleefully think of revamping business by means of legislation. Unlike other forms of transportation, flying is not yet ready for regulation other than that which it has had in the Department of Commerce since 1926. Experimentation, engineering development and the need for constant improvement warrant operating and manufacturing units remaining together.

Then there are the services. And here is the greatest argument that can be raised against abolition or drastic reduction in government expenditures that directly or indirectly benefit air transport. Our Army and Navy air forces are not very strong when compared to other nations. We rank either fourth or fifth in fighting air power. And yet there is much talk in Washington of a drastic cut in expenditures for equipment. With the arms conference and other international parleys seeking reduction of our air strength the question becomes really serious. Had this government heeded proposals from Europe in 1930, the United States would have cut down on planes and engines, even horsepower of motors, while the others, including Russia and Japan, would have proceeded merrily to build up their air fleets. The menace was then recognized and halted by the aircraft industry working in harmony. For two years there has been very little concerted action within the industry. Each group has been playing its own game, with only sporadic efforts at a united front here and there. Nevertheless it is inconceivable that the governmental policy should be so blind to its own defense requirements as to withhold the funds essential for airmail and service equipment. Such action would end development of money-saving improvements which logically might one day return dividends without depending on government support.

On the other hand, never in the history of flying have so many technical improvements been made as during the past year. All the air lines are installing new machines which are a third faster, more efficient and incalculably more comfortable and attractive to the passenger. Another technical axiom is that faster planes are less expensive to operate. Seven or eight new transport models will be on the air lines averaging 180 miles an hour, or 3 miles a minute, with 15-hour transcontinental passenger service. With improved business conditions traffic may pick up rapidly, thereby reducing operating costs and at the same time creating a greater market for new ships.

To great extent increased speed and pay load reduce operating costs and thus bring the air mail lines ever nearer the time when they can afford to carry the mail for what it brings into the Post Office Department in the form of air mail receipts.

Speed gained by refinement in design, that is, better engineering advances which tend to remove from the structive impediments causing drag, also tends to reduce operating costs, because though the plane is faster, its manufacturing cost may not be so great. Airplane and engine costs are based upon the number of hours they are used in the air. Thus, when an airplane is produced at the same or lower cost for a faster model, the charges for depreciation, for engine fuel, etc., are, roughly, the same as for the slower model. However, the cost per mile is reduced approximately in the same proportion as speed is increased. The performances of the new types of transport ship that will appear on the air lines during 1933 prove conclusively that engineering progress has not ceased.

Despite the handicaps and the uncertainty regarding a definite national policy, particularly with reference to air mail payments, the operators have steadfastly worked to build up their business in all three phases of traffic.

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The Big Four in Aviation

United Aircraft & Transport, organized in 1928 and still under the same management, with one of the two direct coast-to-coast lines, feeder lines and pioneer plane, engine and other equipment companies.

North American Aviation, now controlled by General Motors, includes the former General Aviation units and working control of Transcontinental & Western Air, the other main line from coast to coast, and Eastern Air Transport, between New York and Miami.

The E. L. Cord interests of Auburn Car fame, now in control of Aviation Corp.'s American Airways, along with their own plane and engine manufacturing units.

The new Sperry Corp. includes the pioneer Curtiss-Wright plane and engine group, the Sperry Gyroscope Co., and other important units.

What Is a Corporate Official Worth?

Present Demands for Corporate Economy Draw Attention to Official Salaries and What Is Being Done About Them

By J. C. Clifford

As the purchasing power of the dollar increased some 36 per cent in the past three years, an executive whose salary has been raised from $175,000 to $200,000 since 1929 has virtually enjoyed an increase of $88,000. Or looking at it another way, a $200,000 salary is a capitalization of the individual at four million dollars, figuring a 5-per-cent return.

THE President of the United States receives, or did receive before voluntary adjustments, a salary of $75,000 a year. In return we expect him to assume the greatest responsibility in the nation. The demands of his office far exceed that of any position in business life, yet we find numerous corporate officials receiving twice and even three times as much.

Even if we give effect to the intangible compensation in the honor of the President's position and consider the notorious low scale of governmental salaries there still remains a differential which must give pause to every stockholder.

What is a corporate officer worth to the enterprise or to his company or to its owners?

This is a question which has arisen many times but it is of particular moment today when every economy is essential not only in the interests of the stockholder and his sadly impaired dividends; but for the continued existence of the company.

It is, of course, not possible to say that this or that man is worth so much and no more. He may be worth so much to one business and a lesser or greater sum to another. In the same business he may be worth so much at one time and a different amount at another. It is a difficult problem—made more difficult of discussion by reason of the fact that corporate remuneration for the most part is not a matter of public record. It is a sad commentary on our system that the owners of a business, the stockholders, seldom know what they are paying their managers until the illuminating details are brought out in court or during the course of some official investigation. This emphatically should not be so. Stockholders have a moral right to know what they are paying their managers and the information should be given them as a matter of course—it should never be necessary to sweat it out of the managers in a court room or even in a stockholders' meeting.

While no attempt will be made here to put a price on an executive's services, it may be said with certainty that there is a growing conviction on the part of the public that present scales are, at least relatively, too high. This attitude perhaps may not be wholly just, but it is at least logical when one thinks of the dividend reductions, the bankruptcies and the utter lack of business foresight of which there have been so many instances over the past few years. Let us take some of the salaries paid to railroad executives. On this we have considerable information because all positions on Class I roads paying more than $10,000 annually were brought out last year before a Senate committee.

We find that on December 1, 1929, Hale Holden, chairman of the Executive Committee of the Southern Pacific, was receiving $150,000 a year and that two others in the same company were receiving $100,000 and $85,000 a year, respectively. Since that time it is reported that three 10 per cent reductions have taken place so that Mr. Holden's present salary will be slightly better than $109,000 and the others in proportion. The Southern Pacific has passed its common dividend, applied for a $22,000,000 loan from the Government to avoid a default on its interest-bearing debt, and has been involved recently in a highly unprofitable deal over the "Cotton Belt."

William Wallace Atterbury of the Pennsylvania was receiving $150,000 a year in December, 1929, and is currently reported to be getting $109,000. Lawrence A. Downs of the Illinois Central was receiving $90,000 annually on March 1, last year, while Fairfax Harrison of the Southern Railway was getting $67,500, having suffered a reduction from $100,000.

In 1929, the president of the Wabash was receiving $75,000 a year. This company was organized in 1915 to take over the old Wabash which was sold at foreclosure. The new company never paid a common dividend and is now in receivership, the two receivers being paid a total of $72,000.

On the other hand, William Benson Storey, who has just resigned from the presidency of the Atchison, was paid $75,000 a year in 1929 and $67,500 as of March 1, 1932.

The Atchison's record is bettered by few roads and its presidency is considered among the most important. Yet the job paid only half as well as the same position with the Southern Pacific or the Pennsylvania. Why is this?

Among other more highly paid railroad executives in 1929 was Daniel Willard of the Baltimore & Ohio. He received $125,000. This was later raised to $150,000 and is now reported to have been reduced to $75,000. But why should Mr. Willard suffer a 50 per cent reduction and Mr. Atterbury and Mr. Holden less than 30 per cent? Perhaps it is because the B. & O. is more deeply involved with the Reconstruction Finance Corp. than either of the other two. All, however, have received the full shock of the present depression and in no case can it be said that the road's management really saw the trouble coming and took steps to circumvent it.

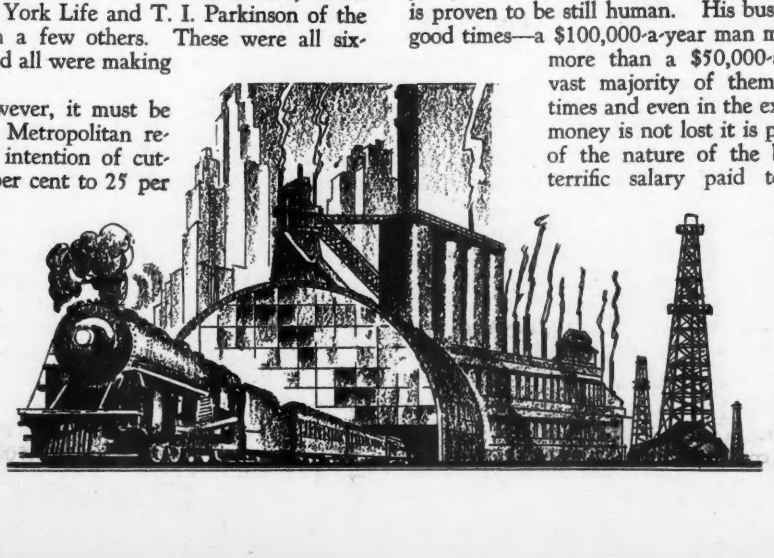
Railroad Salaries to be Limited

Mention of the Reconstruction Finance Corp. brings up an interesting point in regard to railroad salaries. It is reported that a bill will shortly be introduced limiting the remuneration of the executives of a road receiving aid from the Reconstruction Finance Corp. The limit will probably be between $17,500 and $25,000 annually. If this goes through there will indeed be few six-figure railroad men. When the Missouri Pacific applied for a reorganization under the new bankruptcy law, the Interstate Commerce Commission advised the court that the maximum compensation for trustees should not exceed $25,000 a year. The presidency of this road paid $100,000 in 1929.

In leaving the railroad field of executive remuneration one sets out upon a sea which is much less well charted. Salary and bonus information is exceedingly hard to come by. In the meager information available comparisons are difficult to make. Nevertheless, some information can be gleaned and it makes fascinating reading in the light of our current unemployment problem and the drastic reduction in income most of us have experienced. For example, we learn that the services of Frederic W. Ecker were worth $175,000 to the Metropolitan Life Insurance Co. in 1929 and $200,000 in 1932. As the purchasing power of the dollar increased some 36 per cent from 1929 to the beginning of 1933, Mr. Ecker's salary has been raised the equivalent of about $88,000 since 1929. Or, looking at it another way Mr. Ecker, on the basis of a $200,000 salary, is capitalized $4,000,000, figuring a 5-per-cent return.

Nor is Mr. Ecker of the Metropolitan the only insurance executive whose salary in 1932 was higher than in 1929. There is D. F. Houston of the Mutual Life, T. A. Buckner of the New York Life and T. I. Parkinson of the Equitable to mention a few others. These were all six-figure men in 1932 and all were making more than in 1929.

In all fairness, however, it must be pointed out that the Metropolitan recently announced its intention of cutting salaries from 5 per cent to 25 per cent. Other companies have made, or propose to make, similar reductions. But even if the highest salaries *were* reduced, the maximum of 25 per cent they are still very much higher than in 1929 on a basis of purchasing power.



And this is too high in view of the fact that policyholders have had their dividends reduced, that there are still restrictions in many states on the withdrawal of surrender values, and that there is a proposal on foot to give the insurance companies access to the Federal Reserve System, which seems to hint at a management not quite perfect. While it may be contended that insurance companies were never designed to cash policies on the scale they have recently been asked to do, it may also be contended that a man making $200,000 a year ought to be capable of having his business do *anything* at *any* time.

Handsome remuneration is to be found not only in insurance companies. There was the notorious Bethlehem Steel bonus system which in 1929 increased Eugene Gifford Grace's pay of ten or twelve thousand dollars in the amount of $1,623,753. Also, the Electric Bond & Share had a promising stock-subscription plan for employees. But after the stock had dropped like a plummet they reneged and got their money back. George Washington Hill is reputed to do fairly well out of his position as president of the American Tobacco Co. His salary is said to be $1,000,000 a year. In addition, under the employee's stock subscription plan he was allotted 13,440 shares of the company's common stock at $25 a share when it was selling in the open market some $87 higher. There has been considerable litigation over this plan, however, and Mr. Hill has recently declined to accept his allotment while vigorously defending the shares allotted to other employees. Even so, a million a year . . . .

What a Banker Received

In the matter of the Federal Grand Jury vs. Charles E. Mitchell, ex-chairman of the National City Bank, some interesting light on executive remuneration is being shed. The jury has just handed up another indictment charging that Mr. Mitchell received $1,177,295 from the National City Co. in 1929 and $695,565 from the National City Bank. This seems a good deal for the stockholders to have paid a man under whose management one of the largest banks of the country bucked the Federal Reserve System when it was trying to put the brakes on the security boom, and who must be held responsible for a most reprehensible system of security distribution which may be said to have employed the high pressure methods of a "bucket shop."

In view of the facts which are constantly being brought to light is there any wonder that stockholders and policyholders are looking askance at the fabulous salaries it has been paying to its highest executives? Even in the majority of cases where the executive has been honest, he is proven to be still human. His business makes money in good times—a $100,000-a-year man may even make a little more than a $50,000-a-year man—but the vast majority of them lose money in bad times and even in the exceptional cases where money is not lost it is probably more because of the nature of the business than to any terrific salary paid to the man at the head of it. Stockholders should demand full information on all salaries and other remuneration and then, armed with this, salaries and bonuses still in the clouds should be wafted gently but firmly back to earth again.

How should the investor in high grade bonds regard the present inflationary tendency and what is the best action for him to take to guard against a lower purchasing power for the dollar?

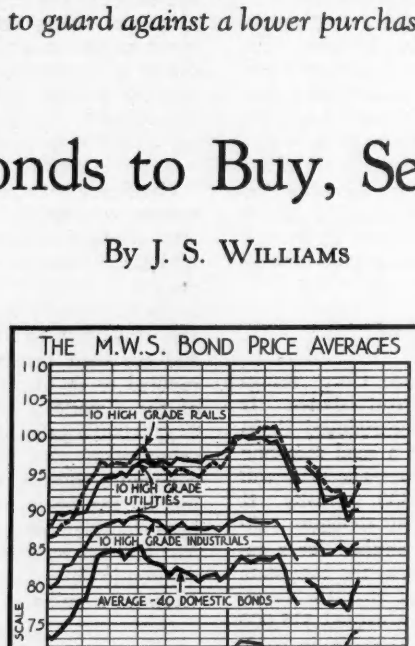
What Bonds to Buy, Sell or Hold

By J. S. Williams

OBVIOUSLY in any discussion of what the holder of high grade bonds should do to protect himself against inflation it is of the utmost importance to endeavor to determine what the nature of the inflation is going to be. Will it be of the type that starting mildly gathers force as it goes along and before it is ended reaches very wide proportions? Will it be an inflation thoroughly controlled and allowed to go only so far as appears necessary to give a reasonable amount of relief to the debtor who is unable to carry on with the purchasing power of the dollar at its present high level? Obviously in the case of an uncontrolled inflation that runs to the bitter end there would be no other action for the bondholder to take but sell out and place his funds in property, commodities or common stocks representing equities. Bondholders in Germany who retained their investments throughout that inflation were, as is well known, practically wiped out. French bondholders saw 80% of their capital destroyed by the French post-war inflation. Sight should not be lost, of the fact, however, that in both these cases the inflation was of the most vicious type — budgetary inflation.

Budgetary inflation means income insufficient to meet its outgo, impaired credit, and no recourse left other than issuance of fiat money to pay the nation's indebtedness. Germany vanquished in the war and bled white by indemnities, never had a chance to stabilize the old mark and it simply went to nothing. France by adopting a program of rigid economy in governmental affairs and other drastic methods was finally able to save the franc although not until it had dropped from 20 cents to less than 4 cents.

Before we go any further let it be very definitely stated that the United States at the present time is in an entirely different situation from that in which Germany and France found themselves when their inflation started. In the first place the credit of this country has been maintained, and still is, at a high level. In the second place the present Administration has definitely declared for and taken courageous action toward a balanced budget. In the third place the United States still has a favorable trade balance and one that is likely to be maintained. Last but not least, it holds almost the greatest amount of gold in its history. Moreover it is rather reassuring to know that the world owes us money and we do not have to meet heavy debts abroad.



With a situation such as this a panicky flight from the dollar is not in prospect and holders of high grade bonds need have no fear that their investments will be turned into mere scraps of paper. A controlled inflation will not do anything serious or sudden to bondholders. They need not feel that any complete reversal of their investment principals is necessary. There is plenty of time to give serious thought to the situation and endeavor to work out a plan whereby a reasonable reduction in the buying power of the dollar that may be expected to come, can be offset by the investment of a certain portion of funds in securities or equities that would increase income a sufficient amount to largely if not completely offset the decline in purchasing power.

The breaking of the deflationary movement that has been going on for three years and the bringing about of a certain amount of inflation has as its prime objective the giving of relief to the debtor class who were finding their burden intolerable with the dollar at so high a level in regard to purchasing power. Now if the debtor is given this sorely needed relief through some inflation it obviously means that service of debts can be met in many instances that under continuing deflationary tendencies could not be taken care of. In other words many bond issues that with deflation continuing might be questioned as to their soundness, can be expected under inflationary tendencies to again become thoroughly sound investment media. Quite obviously the alert investor can take advantage of this situation by switching a certain percentage of his holdings in the strictly high grade issues into other issues of not quite so high a standing but which under inflation which will be in a sufficiently sound position to warrant purchase even by the investor of the conservative type. Undoubtedly many handsome profits will be realized in the more speculative bond issues that have declined to 30 to 40 cents on the dollar and which will be able to continue interest payments now that the downward spiral of prices has been broken. At present, however, let us concern ourselves more with purely investment considerations

and the conservation of invested capital rather than with speculative profits.

In other words what is the holder of high grade bonds to do? Is it wise to dispose of all his holdings? By no means, but it is wise to recognize that while income may remain constant in terms of the dollars received, the purchasing power of those dollars will decline. In addition some reflection of this will be found in lower prices of gilt edged issues. It would therefore appear logical to lighten proportionately one's holdings of the highest grade issues and build up income by switching to others of not quite such high standing which would offer a somewhat higher yield and would be less susceptible to severe depreciation in value.

In the accompanying table a method is shown whereby income from a list of high grade bonds is increased 25% through the sale of 75% of these holdings and the reinvestment of the funds in a diversified list of securities which, while not of the highest grade, are in a sufficiently strong investment position to warrant the statement that they do not involve a risk inconsistent with conservative investment procedure under present conditions. By adopting a program such as this the investor is well protected against a 25% decline in the purchasing power of the dollar. Of course no one can definitely state at the present time just how great a decline in the purchasing power of the dollar will take place. President Roosevelt has been given the right to reduce the gold-content of the dollar 50%. It appears however this might be considered as marking the extreme low limits to which the buying power of the dollar may decline. Indications are that no more than a 25% decline in the purchasing power of the dollar is desired by the Administration, and no doubt somewhere near this limit the purchasing power of the dollar will become stabilized. Therefore by increasing income 25% through switching of securities it is our opinion that the bondholder will have taken all the precautions that it is necessary for him to take at this time to conserve his capital.

As far as the actual present market for high grade bonds is concerned, there appears no reason to suppose that there will be any immediate decline from current levels. Several weeks ago the bond market had prospects of gradual improvement as business conditions became more active and more money was available for investment. The development of inflationary tendencies destroyed this prospect and they developed a sagging tendency instead. The price decline undoubtedly represented switching by many investors of a portion of their funds from high grade issues to equities. On this basis more weakness might have developed were it not for the sustaining influence in high grade bonds of institutional buying regardless of inflation—buying for example by life insurance companies who pay out the same type of dollar they receive and who are in no way concerned with the purchasing power of these dollars. Such companies are always buyers of "income." Also, the supply of high grade issues has grown smaller as a good many issues were eliminated from that class due to the disastrous results to many companies of the three years of deflation. In other words the supply of strictly high grade securities is smaller than it has been for some time and the demand that always exists for these issues should continue as an offset to unusual selling which develops by individuals because of inflation fears. High grade short-term issues should not be affected to any considerable degree and can be expected to maintain their current price levels.

There has been a great deal of thought recently given to the gold clause contained in many bond issues calling for payment in gold of a certain weight and fineness. The important question is, should the United States reduce the gold-content of the standard dollar from the present 23.2 grains to some smaller amount, would holders of bonds with a gold clause providing for the 23.2 grains have any advantage over other bondholders? It does not appear likely that they would.

In Great Britain in 1928 a certain corporation borrowed money and into the contract for repayment wrote a clause saying that the sum was payable in gold coin of the United Kingdom or equal to the standard weight and fineness existing September 1, 1928.

When Great Britain went off the gold standard, and the British pound, formerly worth $4.86 in gold, became worth $3.20 the debt mentioned became due and the creditor demanded payment according to the language of his contract, in the old gold pounds. The debtor tendered ordinary paper pounds. The creditor insisted on having his gold, and went into court in an endeavor to obtain it.

The court ruled that this was not a bullion contract: that is, it was not a contract having to do with mining and calling for gold bullion as some contract might call for land or coffee or cotton. "The contract is a simple contract to secure payment of a sum of money and if the defendants (the debtor) tendered the sum of money in question in whatever might happen to be legal tender at the date the payment was due, they have discharged their obligation . . . To attempt to impose upon the debtor an obligation to pay in a particular form and not anything which is legal tender, is an attempt to do something which cannot be enforced if the contract is a mere contract for payment of money."

Recently the New

(Please turn to page 95)

Safeguarding High Grade Bond Income Against Depreciation of the Dollar

AVERAGE HOLDINGS OF HIGHEST GRADE BONDS

	Yield
$20,000 U. S. Government Securities	3.50%
10,000 Municipals	4.50
10,000 Equipment Trusts	4.75
10,000 Railroads	4.60
10,000 Industrials	4.50
Average Yield	4.36%

REVISED LIST FOR INCREASED INCOME UNDER PRESENT CONDITIONS

	Yield
$5,000 U. S. Government Securities	3.50%
5,000 Municipals	4.50
5,000 Rails and Industrials (highest grade)	4.60
5,000 Baltimore & Ohio 1st 5s, 1948	5.33
5,000 New York Central Consolidated 4s, 1998	6.15
5,000 Southern Pacific Refunding 4s, 1955	5.79
5,000 Chicago, Burlington & Quincy Ref. 4½s, 1977	6.00
5,000 Western Union Collateral Trust 5s, 1938	6.70
5,000 Tobacco Products of New Jersey 6½s, 2022	6.90
5,000 New York Steam 1st 5s, 1951	5.30
5,000 Armour & Company 4½s, 1939	5.55
5,000 American Smelting & Refining 5s, 1947	5.50
Average Yield	5.50%

Increase in yield of revised list 1.14% or gain of 26% in income.

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

It is naturally understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated. For those who desire to employ their funds in fixed-income-bearing securities, we usually "star" those which appear to us the most desirable on an investment basis. But owing to the uncertainty, which has grown out of the prospect of inflation, we are not, at this time, recommending further bond investment purchases.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atlantic Coast Line								
1st Cons. 4s, 1952	154	51	1.3	.2	N C	73	6.5	Fairly well secured.
Gen. Unif. "A" 4½s, 1964	154	34	1.3	.2	N C	66	8.6	Junior to 1st Cons. 4s.
A. C. L. RR. Louisville & Nashville Coll. Tr. 4s, 1952	154	35	1.3	.2	105	64	7.6	Secured by 596,700 shares of L. & N. RR. currently worth $42 a share.
Colorado & Southern								
Ref. & Ext. (now 1st) 4½s, 5.1.35	58	36	1.2	.7	101	75	..	Reasonably strong, tho refunding may be difficult.
Gen. "A" 4½s, 1980	58	20	1.2	.7	110*	58	7.9	Junior to issue above.
Fort Worth & Denver City 1st 5½s, '61	9	8	2.2	..	105 '35*	..	..	Good grade bond.
Louisville & Nashville								
Unified 4s, 1940	231	70	1.1	.8	N C	83	6.1	Reasonably secure bond.
1st & Ref. "C" 4½s, 2003	231	58	1.1	.8	105 '39	74	6.1	Junior to issue above.
10-year sec. 5s, 1941	231	10	1.1	.8	103 '36*	..	..	Secured pledge divisional bonds. Better grade.
L. & N. Atlanta, K. & C. Div. 4s, 1955	231	25	1.1	.8	N C	76	6.0	Good grade.
Missouri-Kansas-Texas R. R.								
Prior Lien "A" 5s, 1962	107	62	1.3	1.0	105	72	7.3	Position of only fair security.
Adjustment "A" 5s, 1967	107	14	1.3	1.0	100	50	10.3	Junior to issue above.
M., K. & T. 1st 4s, 1990	107	39	1.3	1.0	N C	74	5.5	Underlies issues above. Entitled fairly good rating.
New York Central R. R. Co.								
Cons. 4s, 1998	660	68	1.0	.7	N C	65	6.2	Reasonably strong investment.
Conv. Deb. 6s, 5.1.35	660	12	1.0	.7	110	67	..	Must be considered speculative now.
N. Y. C. & H. R. Mtge. 3½s, 1997	660	94	1.0	.7	N C	74	4.8	Strong underlying lien.
N. Y. C. & H. R. 30-yr. 4s, 5.1.34	660	48	1.0	.7	N C	77	..	Rank with consolidated mortgage bonds
N. Y. C. & H. R. 30-yr. 4s, 1942	660	9	1.0	.7	N C	..	..	and are therefore reasonably strong.
N. Y. C. & H. R. Ref. & Imp. "A" 4½s, 2013	660	254	1.0	.7	110	52	8.7	Borders upon the speculative.
Lake Shore & M. S. 1st 3½s, 1997	660	50	1.0	.7	N C	76	4.7	High grade investment issue.
Chic., Ind. & Sou. 4s, 1956	660	15	1.0	.7	N C	..	..	Medium grade.
Cleveland Short Line 1st 4½s, 1961	660	12	1.0	.7	N C	70	6.9	Good grade issue.
Jamestown, Frank. & Clear. 1st 4s, '59	660	11	1.0	.7	N C	..	..	Somewhat better than medium grade.
Clev., Cin., Chic. & St. Louis Gen. 4s, 1993	165	33	1.0	.7	N C	69	5.9	Good grade bond.
Ref. & Imp. "E" 4½s, 1977	165	65	1.0	.7	105 '47*	55	8.4	Junior to issue above.
Michigan Central 1st 3½s, 1952	..	18	1.0	.7	N C	..	..	High grade issue.
GUARANTEED ISSUES								
Canada Southern Cons. "A" 5s, 1962	..	30	1.0	.7	N C	..	..	Sound investment.
Detroit River Tunnel (D. T. & T.) 1st 4½s, '61	..	18	1.0	.7	N C	75	6.4	Reasonably strong bond.
New York & Harlem Ref. (now 1st) 3½s, 2000	16	12	1.0	.7	N C	..	..	High grade issue.
West Shore 1st 4s, 2361	..	49	1.0	.7	N C	70	5.7	Entitled to a good rating.
N. Y., N. H. & Hartford R. R.								
1st & Ref. 4½s, 1967	260	58	1.6	1.0	105 '37*	58	8.2	Large debt equally secured with this issue. Medium grade.
Non-conv. Deb. 4s, 1955	260	50	1.6	1.0	N C	51	9.3	Secured under the 1st & Ref. mtge.
Secured 6s, 1940	260	19	1.6	1.0	105	73	11.8	Secured pledge $23 mil. 1st & Ref. 6s.
Conv. Deb. 6s, 1948	260	39	1.6	1.0	N C	73	9.4	Also secured under 1st & Ref. mtge.
Deb. 4s, 1957	260	14	1.6	1.0	N C	49	9.4	Unsecured by mortgage. Semi-speculative.
Central New England 1st 4s, 1961	260	12	1.6	1.0	105	60	7.4	Reasonably well secured.
New England R. R. Cons. 4s, 1945	260	18	1.6	1.0	N C	..	..	Better grade bond.
Harlem Riv. & Port Chester 1st 4s, '54	260	15	1.6	1.0	N C	83	5.3	Strong investment issue.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Alabama Power								
1st 5s, 1946	97	71	2.0	1.8	105	76	8.1	Better grade investment issue.
1st lien & Ref. 5s, 1951	97	61	2.0	1.8	104¾*	69	8.4	Pledge of 1st 5s gives this issue virtually same security.
1st & Ref. 4½s, 1967	97	63	2.0	1.8	101½*	58	8.2	$37 mil. 1st lien & Ref. 5s pledged under this issue.
Brooklyn Union Gas Co.								
1st Cons. 5s, 1945	49	15	3.4	3.0	N C	104	4.6	An investment of the highest grade.
1st & Ref. "B" 5s, 1957	49	16	3.4	3.0	107*	101	4.9	Junior to issue above, but still high grade.
Deb. 5s. 1950	49	18	3.4	3.0	105*	94	5.6	Strong bond, tho unsecured by mtge.
Detroit Edison Gen. & Ref. "D" 4½s, 1961	134	134	2.9	2.1	105 '41*	84	5.6	Coverage off somewhat, but still strong.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1931	Fixed Charges times earned† 1932A	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Duke Power								
1st & Ref. 4½s, 1967	63	40	2.7	2.2	104½*	88	5.1	Better grade.
Southern Pub. Ut. 1st & Ref. 5s, '43	63	16	2.8	..	105	90	6.3	Strong bond.
Duke-Price Power 1st 6s, 1966	36	36	1.2	1.3	105¼*	53	11.6	Considerable uncertainty attaches to the status of this issue.
Jersey Central Pwr. & Lt. 1st & Ref. (now 1st) "C" 4½s, 1961	42	42	2.8	2.1	105*	83	5.7	Sound bond.
Laclede Gas Light Co.								
Ref. & Ext. 5s, 4.1.34	36	20	1.5	1.5	N C	80	..	Medium grade.
1st Coll. & Ref. "C" 5½s, 1953	36	23	1.5	1.5	103*	56	11.0	Junior to issue above, tho $10 million Ref. & Ext. 5s pledged hereunder.
Massachusetts Gas Cos.								
20-year 5½s, 1946	52	16	2.2	2.0	105	80	8.0	These issues rank equally. Both are good grade bonds.
Deb. 5s, 1955	52	25	2.2	2.0	103	74	7.4	
Boston Con. Gas Deb. 5s, 1947	11	11	3.5	5.5	105	100	5.0	More than ordinarily well-protected issue.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.4	1.4	102½*	57	9.7	Represents large proportion of total debt.
New England Tel. & Tel. 1st "B" 4½s, '61	88	75	3.1	2.5	100 '53	97	4.7	High grade investment issue.
New Orleans Public Service								
1st & Ref. "B" 5s, 1955	56	30	1.4	1.3	104*	53	10.5	None too strong.
Gen. 4½s, 7.1.35	56	12	1.4	1.3	105	50	..	Junior to issue above and prior lns. thereto.
N. Y. Power & Light 1st 4½s, 1967	67	66	2.3	2.1	105*	86	5.4	Reasonably good investment issue.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.3	1.0	102½*	31	..	None too strong holding co. obligation.
Ohio Edison Co.								
1st & Cons. 5s, 1960	70	27	2.8	2.2	105*	81	6.5	Sound, medium grade issue.
No. Ohio Pwr. & Lt. Gen. & Ref. 5½s, 1951	70	12	2.8	2.2	105*	84	7.1	Assumed by Ohio Edison.
Penn-Ohio Pr. & Lt. 1st & Ref. 5½s, '54	70	19	2.8	2.2	104*	85	6.8	Good grade.
Philadelphia Electric Co.								
1st 5s, 1966	168	57	3.2	3.2	110	104	4.7	High grade bond.
1st Lien & Ref. 4½s, 1967	168	34	3.2	3.2	104½*	99	4.6	Pledge of 1st 5s makes this issue almost as strong as one above.
1st & Ref. 4s, 1971	168	59	3.2	3.2	102½*	91	4.5	Strong bond.
Philadelphia El. Pwr. 1st 5½s, 1972	168	35	3.2	3.2	106*	103	5.3	Not obligation Phil. El. Co. Good bond.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.2	3.0	105	102	4.6	Entitled to the highest of ratings.
Ref. 5s, 1951	138	120	3.2	3.0	105*	95	5.4	Junior to issue above.
Union Electric Light & Power (Mo.)								
Gen. 5s, 1957	94	63	3.1	2.1	104¾*	95	5.4	Sound investment.
Miss. River Power 1st 5s, 1951	20	17	2.5	2.5	105	98	5.2	Good grade bond.
Un. El. Lt. & Pr. of Ill. 1st 5½s, '54	8	8	3.3	5.9	103½*	100	5.5	Better grade issue.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
American International Conv. Deb. 5½s, '49	14	14	..	..	105	76	8.2	Asset value about $1250 on 12.31.32.
Am. Smelting & Refining 1st "A" 5s, 1947	36	36	1.5	def	100	90	6.1	Better metal markets should be of benefit if maintained.
Crane Co. Notes 5s, 1940	12	12	def	def	102*	74	10.3	Continued deficit weakens strong issue.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	23	20	3.2	2.9	105	78	6.4	Good grade issue.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	14.7	14.8	N C	122	4.6	Exceedingly strong industrial obligation.
Deb. 5s, 1951	28	15	14.7	14.8	N C	106	4.5	Junior to issue above, but still high grade.
New York Dock								
1st 4s, 1951	22	13	1.7	1.1	105	51	9.9	Secured by valuable property, tho earnings off.
Notes 5s, 1933/1937	22	8	1.7	1.1	101	..	..	Junior to issue above.
National Dairy Products Deb. 5¼s, 1948	75	73	6.0	3.9	103½*	84	7.0	Now less prosperous. Medium grade.
Penn-Dixie Cement 1st "A" 6s, 1941	10	10	def	def	103*	46	..	Business outlook better.
Phillips Petroleum Deb. 5¼s, 6.1.39	31	30	def	1.3	101⅜*	77	10.5	Still somewhat speculative, tho position improved.
Texas Corp. Deb. 5s, 1944	107	100	def	.6	101½*	86	6.8	Medium grade. Earnings disappointing.
Tobacco Products (N. J.) Coll. Tr. Deb. 6½s, 2022	36	36	..	..	100	93	7.0	Secured pledge lease agreement with Am. Tobacco. Interesting issue.
Union Gulf Coll. Tr. 5s, 1950	60	60	def b	1.4 b	103*	98	5.2	b Gulf Oil (Pa.) earnings, virtually guarantor of issue. Better grade.
Youngstown Sheet & Tube 1st "A" 5s, '78	92	92	def	def	105*	71	7.2	Continued deficit disquieting.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1931	1932A	Call‡	Recent	Yield to Maturity	COMMENT
Chesapeake & Ohio 1st Cons. 5s	5.1.39	30	3.5	3.2	N C	103	4.4	Investment of the highest grade.
Consumers Power 1st & Ref. 5s	1.1.36	33	3.8	3.0	105	102	4.6	Exceedingly high grade issue.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.7m	3.2m	N C	102	4.4	m Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	75	3.2	2.6	101*	100	5.0	Company enjoys a fine credit standing.
Great Northern Power 1st 5s	2.1.35	7	..	..	110	90	10.6	Reasonably sound issue.
Texas Power & Light 1st 5s	6.1.37	25	2.0	..	105	93	7.0	Of good investment caliber.
Third Avenue R. R. 1st 5s	7.1.37	5	1.9	..	N C	86	9.3	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous, rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. E Estimated. A Actual earnings, tho in some cases based on preliminary reports.

Prospective Shifts in Rail Revenues

Lower Wage Scales in Soft Coal Regions Have Favorable Effect on Some Carriers and Adverse Effects on Others

By A. T. Shurick

HIGH union wage scales at Northern soft-coal mines in the first six years of the 1920-30 decade caused a shift of 65,000,000 tons a year to four leading Southern carriers, increasing their gross revenue around \$143,000,000 a year. This increase was necessarily at the expense of the Northern roads, though somewhat diluted by the larger number engaged in coal transportation, some of the principal losses being the Pennsylvania, \$20,000,000, the C. & E. I., \$14,000,000, and the Hocking Valley, \$10,000,000.

During the succeeding six years ended 1932, the miners' union steadily lost ground in the bituminous coal fields, and union influence is now at the lowest ebb in modern history. Wage scales at Northern mines have followed the declining trend in unionism, culminating in a recent series of drastic wage reductions that have now restored the wage differentials between the Northern and Southern mining fields to approximately the same basis before the Southern operators captured the 65,000,000 tons of Northern business. This restoration of *status quo ante* in mine wages apparently marks the termination of the past cycle favorable to the Southern carriers, and the inception of a new and opposite trend in earnings of the leading Northern roads transporting bituminous coal.

The comparative results of the leading soft-coalers for the eventful seven-year transitional period 1920-26, are given in the accompanying table showing gains and losses in tonnage and estimated gross revenue from coal. National coal production varied less than 1% in these two years, making the results the carriers strictly comparable. Production of the Northern unionized states declined 18% in this period, while the Southern states increased 61%; the total tonnage of the roads in the two sections declined 24% and increased 78%, respectively. The gain or loss in gross revenue is estimated on the recognized national average coal-freight tariff of \$2.20 a ton; this is a conservative figure for the long-haul business of the Southern roads, which have a \$2.52-rate to tide-water, \$3.09@3.29 to the Mid West, etc.

Large-scale, specialized coal traffic does not exist among the Northern soft-coal carriers, so that the heavy loss in Northern tonnage was diffused among a greater number of affected roads, with the adverse results still further diluted by the relatively low ratios of revenue derived from coal business by these carriers. The coal-freight ratio of the premier Northern coaler, the Pennsylvania, is but 25%, as compared with 66% for the N. & W., and 74% for the C. & O. But even the Pennsylvania R. R. cannot view a \$20,000,000-loss in gross with equanimity, and there are numerous small roads where the repercussion from the lost tonnage in the Northern fields has been more acutely felt.

In addition to the roads specially effected by this tonnage shift, there are other well-known coalers in the intermediate class, as shown in the table. These roads either operate out of union fields only intermittently organized, as in the case of the Western Maryland, or straddle the union and non-union sections, as with the Illinois Central. As noted in the table, the shifts in coal movement have a scarcely perceptible effect

Shifts in Coal Tonnage of Leading Bituminous Carriers, 1920-1926

	Coal freight ratio	1920 (Thousands of Tons)	1926 (Thousands of Tons)		Est. change in gross revenue
United States production		568,667	573,367		
INTERMEDIATE ROADS				Loss	Loss
Baltimore & Ohio	23%	41,751	41,611	140	\$308,000
Illinois Central	17%	21,816	21,700	116	255,200
Western Maryland	52%	5,909	5,342	567	1,247,400
Totals		69,476	68,653	823	\$1,810,600
NORTHERN ROADS					
Northern States (1)		334,562	273,468	61,094	
Buffalo, Rochester & Pittsburgh	59%	8,165	6,613	1,552	\$3,414,400
Chicago & Alton	13%	4,036	2,306	1,730	3,806,000
Chicago & Eastern Illinois	23%	13,865	7,597	6,268	13,789,600
Chicago & North Western	8%	8,339	4,822	3,517	7,737,400
Erie (bituminous coal only)	9%	1,689	1,017	672	1,478,400
Hocking Valley		6,317	1,606	4,711	10,364,200
Montour	96%	4,082	2,870	1,212	2,666,400
Pennsylvania	25%	75,280	65,929	9,351	20,572,200
Pittsburgh & Lake Erie	49%	4,974	3,347	1,627	3,579,400
Wabash	9%	4,269	3,356	913	2,008,600
Totals		131,016	99,463	31,553	\$69,416,600
SOUTHERN ROADS				Gain	Gain
Southern States (2)		137,041	220,566	83,525	
Chesapeake & Ohio	74%	27,399	54,071	26,672	\$58,678,400
Louisville & Nashville	38%	23,446	39,689	16,243	35,734,600
Norfolk & Western	66%	25,382	43,608	18,226	40,097,200
Virginian	86%	6,814	10,684	3,870	8,514,000
Totals		83,041	148,052	65,011	\$143,024,200

(1) Pennsylvania, Ohio, Indiana and Illinois. (2) Kentucky, Virginia and West Virginia.

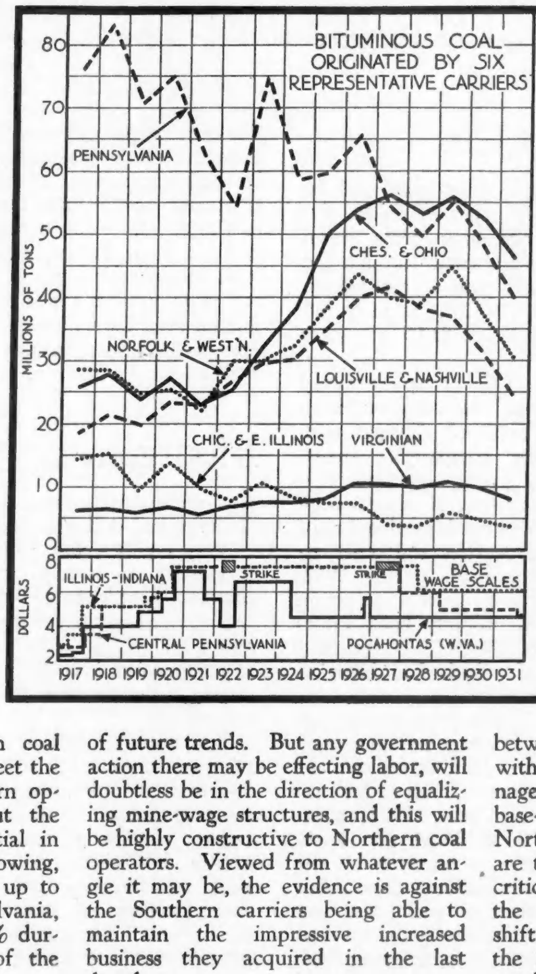
on their results. The Illinois Central, for example, made up its lost tonnage in the unionized Illinois coal fields under the high $7.50 wage scale, with increased movement of longer-haul, non-union, West Kentucky coal having a $2.40-rate to Chicago, as compared with $1.90 from Southern Illinois coal fields.

The possible shift of 65,000,000 tons of coal a year away from the Southern carriers is of more serious moment, due to the concentration of this large tonnage in four roads only, all of which are vitally dependent upon this business to maintain their earnings. They may be expected to make determined efforts and bring strong influence to hold this business. Unlike the Northern roads, the high coal-freight ratios of the Southern carriers has justified nursing this progenitor of golden eggs, and substantial expenditures have, and are, being made to consolidate their new position in the coal picture. There is a co-operation and community of interest between the Southern railroads and coal men that will prove a formidable handicap to the Northern roads in recapturing their lost markets.

On the other hand, the immutable laws of economics must ultimately prevail against artificial human barriers. The problem is merely an elementary question of which coal fields provide the greatest number of heat units under the boiler at the lowest cost; and this, in turn, pivots on the wage scales in the respective fields. Southern coal producers may claim they can meet the wage reductions of the Northern operators, dollar for dollar. But the record shows that the differential in these wage scales is steadily narrowing, with the Pocahontas scale now up to 79% of the Central Pennsylvania, whereas it was formerly but 59% during the six years ascendency of the Southern coals.

Indications are particularly favorable for a rapid shift of business to the Mid West carriers, the coal operators of that section having made a drastic reduction averaging 22% in domestic-coal prices March 23, bringing these prices back to the level of 1916. The current Pocahontas wage scale of $2.80 compares with $2@2.12 in 1916, so that the Southern coal operators appear in line for a substantial loss of business in this important market. The outlook for Mid Western roads thus seems specially favorable, notably the hard pressed C. & E. I. The destiny of this road rests largely with the destiny of the local coal industry. Its troubles are primarily due to heavy declines in coal traffic, as shown in both the accompanying table and graph, and the prospective new shift in the coal picture is a factor of the first importance in its prospects.

The existing abnormal economic situation, with the injection of the all-important Appalachian Coals decision, and the possibility of drastic labor legislation, complicate present estimates of future trends. But any government action there may be effecting labor, will doubtless be in the direction of equalizing mine-wage structures, and this will be highly constructive to Northern coal operators. Viewed from whatever angle it may be, the evidence is against the Southern carriers being able to maintain the impressive increased business they acquired in the last decade.



The accompanying graph shows the contra trends in bituminous coal tonnage originated by leading Northern and Southern carriers, with typical mine-wage scales in these two sections, which precipitated this great shift in business. Previous to the high $7.50 wage scale in 1920, shown at the bottom of the graph, the loadings in the two fields were fairly stable, with the Pennsylvania R. R. originating around 50,000,000 tons more than each of the three leading Southern carriers. The first two years of the $7.50-scale, 1921-22, had the lowest national production in a decade, though the Southern roads showed a healthy upturn in 1922, due both to lower wages and to a strike in the union fields, as shown. National production was heavy in 1923, and the relatively high West Virginia scale that year, made for an approximate *status quo* in the tonnage of the Northern and Southern roads, both increasing sharply.

But when West Virginia coal operators reduced wages to $4.40 in 1924, putting their scale at only 59% of the $7.50 Northern scale, the trend of the Pennsylvania R. R.'s tonnage is as unmistakably downward, as that of the Southern roads is upward. The levelling off in the two trends begins in 1928, with the appearance of lower wage scales in both Pennsylvania and Illinois. The years 1928 to 1932 was a transitional period of gradual wage readjustments, similar to the several years of persistent wage increases that culminated with the $7.50 scale in 1920. It is clear from the graph that this 1928-32 period marks the termination of the contra trends in coal loadings favorable to the Southern roads, and the figures for the current year are already reflecting the inception of the new reverse trend.

The probable extent of this reverse trend can be measured with reasonable assurance by a comparison of existing mine-wage differentials between Northern and Southern fields, with those previous to the shift in tonnage to the Southern roads. Typical base-wage scales of representative Northern and Southern mining sections are tabulated on the graph for several critical years: The 1915 scales show the stabilized conditions before the shift in tonnage to the Southern coals; the 1920 scales show the differentials at the beginning of the shift; 1926, those at the approximate culmination of the shift, and the current scales the existing differentials.

The Southern, Pocahontas, scale was originally 79% of the Central Pennsylvania. This was reduced to 75% when the shift in tonnage started, though fluctuating somewhat during the initial three years, with varying activity in the coal market. But the culminating great shift in tonnage over the final

(*Please turn to page* 92)

Selected Stocks to Buy for Future Profit and Protection

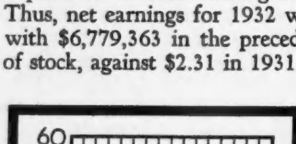
By THE MAGAZINE OF WALL STREET Staff

This group of stocks is presented in accordance with our announced policy of suggesting sound equities which appear in a sufficiently favorable position after a prolonged period of depression to warrant gradual accumulation. Other stocks will be discussed as their individual conditions justify.

EDITOR.

United Fruit Co.

RELATIVELY speaking, United Fruit may still be considered in the "Blue Chip" class of stocks, for while the company's earnings have come down sharply it is one of the few which has come through the depression without leaving the profit side of the ledger. Thus, net earnings for 1932 were $5,707,221, as compared with $6,779,363 in the preceding year, or $1.95 per share of stock, against $2.31 in 1931.



This comparatively small decline, considering continued depression in the company's banana, shipping, sugar and cacao business, is explained by a general revaluation of properties and other assets made during 1932, resulting in a reduction in property book values of $50,945,033, the effect of which has been to permit of savings of $4,600,000 a year in depreciation and an equivalent gain in income. In United Fruit's best recent year, 1928, earnings were more than $20,000,000 or $8.24 per share.

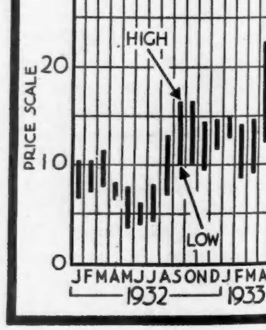
The company's plantations in various countries on the Caribbean and on the Pacific Coast of Panama grow about half of the world's bananas, shipments of which last year were off only 10% or back approximately to the level of 1928. Operating more than 100 vessels, its shipping business, both cargo and passenger, is important, but general cargo, which in 1929 almost matched the company's own cargo of fruits and other products in tonnage, has in recent years declined sharply.

At present there is a prospect that the tariff on Cuban sugar may be cut down materially. This would substantially benefit United Fruit's investment, said to be as much at $50,000,000, in this Cuban industry, which during most of the post-war period has been unprofitable. The company has a refinery at Boston.

With the exception of a Government loan of some $12,000,000 for the construction of mail ships, United Fruit has no funded debt, capitalization consisting of 2,925,000 shares of no-par common stock. After drastic write-down, lands, buildings ships and other fixed properties are carried on the balance sheet at $114,513,705. Inventories of sugar, fruit and merchandise are small. Cash holdings amount to $23,601,837, little changed since 1929. Large property account, strong trade position and current financial strength lend considerable attraction to the stock as an equity in which to protect funds against the present threat of inflation, even though the issue has advanced from the year's low of 23¼ to a current price around 44, which on the basis of the $2 dividend yields slightly more than 4.5%.

Montgomery Ward & Co., Inc.

IN these times when the probability of inflation looms large and dollars are seeking safety by flight into property equities, the capital stock of Montgomery Ward is worthy of careful consideration, since the company possesses excellent management, large financial resources and physical properties and is engaged in a business which should quickly reflect any expansion in public buying, either normal or inflationary.



The stock has already advanced from a low of 8⅝ this year to a present price around 19. Of recent months it has earned no profit and paid no dividend, but these facts do not leave it without speculative promise for the longer future. The company is one of the largest retail distributors in the country and, like its larger rival, Sears, Roebuck, it has made adjustments during the depression which should show up in full benefit when business revival comes.

Operating costs were drastically lowered during the last year under a new and efficient management and there is every reason to believe that costs will tend to rise more slowly than prices. There is already evidence in the commodity markets that the basic trend of prices has changed for the better, although this movement naturally has not as

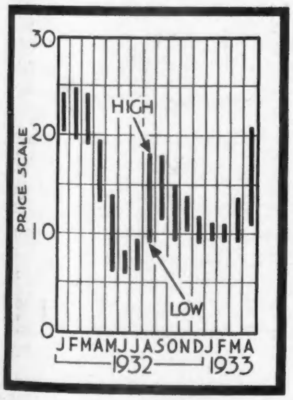
yet had time to make much progress as regards retail goods.

The mere reversal of decline, however, is of vital importance to Montgomery Ward, for its most serious losses of recent years have come from the writing down of inventories. While it has fewer stores in operation than a year ago and dollar prices are also lower than a year ago, the company's inventories as of last January 31 were $4,440,000 higher than shown by the previous annual statement, a gain of 12%. This reversal of the former policy of keeping inventories at a minimum now appears to have been wisely timed. The five-year leases of its new retail stores are now in their final period and most have been adjusted to present rental values.

For the fiscal year ended January 31, the company showed a loss of $5,686,784, as compared with a deficit of $9,737,083 for the preceding fiscal year. Its unusually strong balance sheet reveals current assets of $83,460,366, against current liabilities of $7,140,395, a ratio of 11.7 to 1. Current assets include cash of $9,300,907 and $16,988,086 in Government bonds. Inventories are approximately $40,000,000 and sales for the year were slightly under $180,000,000. There is no funded debt nor bank loans, capitalization consisting merely of 205,000 shares of $7 cumulative Class "A" stock and 4,514,193 shares of common.

Best & Co., Inc.

BEST & CO., INC., is a New York department store which, in recent years, has pursued a steady, although moderate, expansion program. While the New York store is still the largest and most important part of the company's organization, branches are now operated in the suburbs, Mamaroneck, Garden City, Southampton, Asbury Park and East Orange. Other branches are maintained in Brookline, Hyannis and Philadelphia.



Best & Co. features high-quality, standard merchandise for men, women and children at reasonable prices. The women's and children's departments are especially popular. Like every other organization in the same field, Best has had to contend with particularly adverse conditions over the past few years. Probably the main difficulty has been the steady fall in prices. This has sharpened competition, narrowed profit margins and been the cause of abnormal write-downs. In addition, there has been the adverse factor of the curtailment in public purchasing power. Nevertheless, Best has managed to maintain its reputation for reliability in quality and style and has, moreover, achieved a profit in every year, although it went perilously close to the "red" in the first half of 1932.

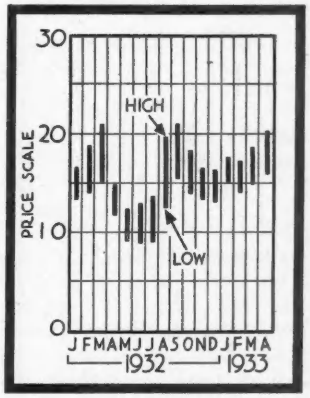
For the fiscal year, ended January 31, last, net sales were $11,131,203, a decrease of nearly 20% from the total of the previous year. Net profit per dollar of sales for the two years was 2.96 cents and 6.70 cents respectively, while per-share earnings on the outstanding common stock were $1.05 and $3.02 respectively. The showing for the latest period was a gratifying surprise in view of the fact that but 1 cent a common share was earned in the first half of the year, and despite the fact that the second half is always the better.

The capitalization of Best & Co., Inc., consists of 300,000 shares of common stock of no-par value and a small issue of employee preferred stock. Funded debt in the form of a real estate mortgage totals $950,000. The report for the last fiscal year showed that financial position had been improved. Current assets, including $1,078,629 in cash, amounted to $3,444,339, while current liabilities were $602,720. At the end of the previous year, cash was only $134,993, current assets $3,216,777 and current liabilities $485,284.

The common stock of Best & Co., Inc., is currently selling around $22 a share. No dividend is being distributed, but on the basis of trade position and ultimate prospects the issue is one with considerable long-pull speculative attraction.

Mathieson Alkali Works, Inc.

PRODUCING soda ash, caustic soda, bicarbonate of soda, liquid chlorine, hypochlorite, ammonia and other heavy industrial chemicals, it is not difficult to understand that Mathieson Alkali Works, Inc., has been quite adversely affected by the curtailment of general business activity over the past few years. Nevertheless, the company's products are of an essential character and, although much reduced, the business which was obtained has been sufficient for profitable operations in every year.



Last year, earnings were equivalent to 86 cents a share on each of the 650,436 shares of no-par capital stock outstanding, compared with $1.88 a share in the previous year. Apart from this common stock, Mathieson's capitalization consists of $2,394,000 in 7% preferred stock of $100 par value. The company has neither funded debt nor bank loans.

Business, so far as Mathieson is concerned, made a low point last summer and since then there has been steady, albeit moderate, improvement. The banking trouble last March, of course, was a temporarily adverse factor, but despite this, 21 cents a share was earned on the common stock in the first quarter of this year. The present quarter ought to be much better, if for no other reason than that the financial situation has largely cleared up and that there has been a great increase in the demand for soda ash on the part of a booming glass bottle industry and for washing soda for the purpose of cleaning beer bottles.

The common stock of Mathieson Alkali Works, Inc., is currently selling for about $24 a share. A dividend of $1.50 is paid, so that the yield afforded by the issue is slightly more than 6%. While not long ago there was considerable doubt as to whether the company would continue to pay this dividend, in view of the fact that it was far from earned, the recent improvement in the company's business and the better prospect which is now enjoyed, afford some assurance that the present rate of disbursements will be maintained after all.

How Industries Will Be Affected by Inflation

Characteristics to Be Looked for in Present Day Investment for Protection Against a Devalued Dollar

By Phillip Dobbs

INFLATION does not mean the same thing to all men. Nor does it mean the same thing to all legislators. There are valid reasons for believing that certain actions, commonly thought to be inflationary, on the part of those who control money and credit will not in actuality be so, or at least will be inflationary to a much smaller extent than is generally supposed. There are equally valid reasons for supposing that certain actions, not commonly thought to be inflationary, on the part of those in control of money and credit are really leading us straight down the inflation road.

But away with this quibbling. For the purpose of this discussion let us say that inflation is any artificial increase in the supply of currency and credit which causes a general rise in the price of tangible property which would not otherwise have taken place. It remains to be settled what effect this may reasonably be supposed to have on various industries and consequently upon those who own them or propose to acquire interests in them.

With rising prices, of course, is associated business activity. This is perfectly logical. When manufacturers know that their inventory is constantly becoming more valuable they stock up. Individuals do the same on clothes and household necessities. When anyone believes that it will cost more tomorrow to do something, he does it today. And so comes the increase in business activity. Of course, if the rise in prices comes so fast that it outruns the aggregate purchasing power of wages and salaries there would be a decrease in the volume of goods moved. We are not, however, talking about this kind of inflation, but about the more moderate variety which not only raises prices but causes at least a moderate increase in business volume.

It is the hope of the Administration and also of the country at large, whether they know it or not, that the inflation on which the United States appears determined to embark will be of the moderate type. Naturally, if business activity improves, all industries will benefit. Some, however, will have most, if not all, of this benefit offset by increased costs of operation. It is these industries which the prospective investor would do well to avoid.

On the other hand, certain industries will receive the full benefit of the increased business activity without a relative increase in costs. It is in these that the prospective investor at the present time will have the greatest interest.

Let us take the negative side of the question first. Industries which will obtain the least benefit from inflation are those where the price of the product or service will tend to lag behind the price of the things which have to be bought to produce the product or service. Take the public utilities, for example. In most, if not every, state their rates are supervised by some kind of public service commission. In the event that the cost of generating the electric current, gas, or whatever the service might be, should rise, it would only be some time afterwards that the utility could persuade the commission that a rise in rates was justified. And even then it is probable that any increase in rates that might be granted would fail to offset the increased costs. Particularly is this likely to be so in view of the current public animosity—in many cases unjustified—towards the utilities.

The railroads would be affected by inflation in somewhat the same way as the utilities, for operating expenses would rise faster than freight rates. Although the increase in prices which stimulates buying would naturally be translated in a rising volume of freight traffic. Construction is another member of this group because, not only is it difficult to obtain mortgage money when the mortgagee feels that he will be paid back in something worth less than he lent, but rents, taking into consideration leases, tend to lag in any general price rise.

On the other hand, certain industries are bound to benefit from the inflation. Those, for example, whose inventories are not over-large, whose products will enjoy to the full the rise in prices, and which are capable of expanding their output with comparatively little additional expense. Certain sections of the chemical industry perhaps fit these requirements best.

It might at this point be well (Please turn to page 94)

Probable Effects of Inflation on Leading Industries

Chemicals	Very favorable
Retail Merchandising	Favorable
Steel	Favorable
Lead & Zinc	Favorable
Food Products	Aided by higher prices, but no volume increase
Coal	Favorable, though hampered by an excessive potential output.
Petroleum	
Textiles	
Rubber & Tires	
Paper	
Copper	Favorable, but stocks too large
Automobiles	Moderately favorable
Aviation	
Amusement	
Mechanical Equipment	
Leather & Shoes	
Railroads	Less favorably, but would gain something from an increase in business activity
Utilities	
Construction	Mortgages would be hard to sell

Taking the Pulse of Business

— Activity Gains

— Steel Operations Increase

— Prices Rise

— Oil Experiences Difficulties

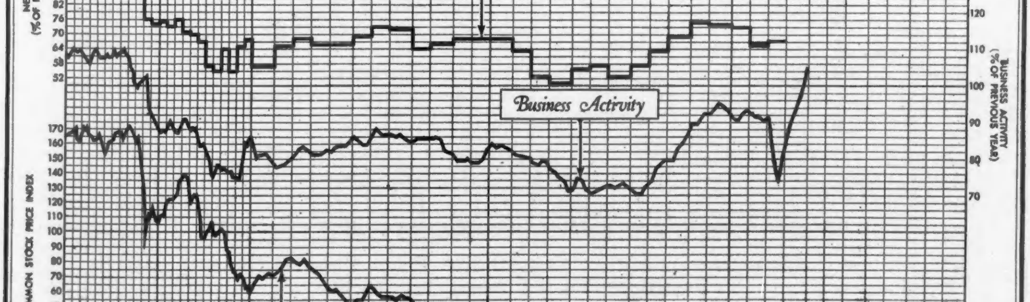
— Textiles Improve

IT becomes increasingly evident that, for the duration of the present crisis at least, production, trade, and finance are to be brought under Government management on a scale never before attempted in this country. Only in Russia have such elaborate plans ever been laid to regulate the working of economic forces for the welfare of an entire population. It is a bold experiment, easier begun than ended; but the public evidently now regards this as the only alternative to chaos. What the ultimate outcome will be cannot be foreseen with certainty; since no one, not even President Roosevelt himself, can be sure of just what changes in tactics may be dictated by exigencies of the moment. The goal is evidently a restoration of prosperity, at home and abroad; but the means must of necessity be of an opportunist character. It is perhaps natural that conservative economists should view with some misgivings any attempt to lift prices in order to bolster up an inherently topheavy debt structure. They hold that such a course is merely to postpone, and add to the severity of an inevitable reckoning.

It is fairly probable, however, that the experiment, unless badly bungled, will be accompanied by a considerable measure of at least temporary improvement in business conditions, if for no other reason than because recovery had already started last summer and would have gained momentum gradually, plan or no plan. The four curves of our Barometer, in conjunction with the index of Raw Material Prices on the page following this review, show the business gain quite clearly.

In fact it is by no means certain that inflationary influences have played more than a minor role in the business gains thus far achieved. Except for the temporary bulge in the Cost of Business Credit line and the brief drop in Business Activity, incident to the moratorium, all of our business indexes began to register improvement during the latter half of 1932. This was arrested for a few weeks by the banking crisis; but neither New Orders nor the Common Stock Index fell back at that time to the extremely low levels of the preceding year. It is especially significant in this connection that New Orders for March, just entered upon the graph, were slightly better than in February, despite the shock of the banking holidays. Since then, the physical volume of production and trade has resumed its temporarily interrupted upward trend and is now, for the first time since 1929, actually higher on an average than during the previous year. This is evidenced by the rise of our Business Activity Index which (expressed in percentages of the corresponding activity a year earlier) has risen to well above the 100 mark. The gains in steel ingot output and in automobile production are especially gratifying. But since production must precede shipment by an interval of several weeks it is only natural to find that car loadings have only just begun to reflect the marked improvement in retail trade and in manufacturing activity.

It is more difficult to apportion credit for the 40% rise



in our index of Raw Material Prices which has taken place since the new Administration came into office. Last autumn there was a rise of similar proportions in basic material prices, without the benefit of any widely held expectations of inflation. This year, the gold embargo and a general belief in more inflation to come have undoubtedly been contributing factors; though the rise has been made possible primarily by a considerable improvement in the statistical position of several basic commodities, such as tin, rubber, hides, zinc, sugar and wheat. Whatever the cause, however, this recent rise in prices and in the volume of business has already bettered the outlook for a number of industries.

The Trend of Major Industries

STEEL—Under stimulus of expanding automobile schedules and some slight disposition to anticipate inflation, the steel ingot rate has advanced to around 30% of capacity, which is the highest record of activity in this industry since November of 1931. Part of the improvement may be attributed to orders deferred during the banking moratorium; but there seems little doubt that the spring peak will be reached a few weeks later this year, and that the customary summer recession will be of smaller proportions than during previous years of the depression. Steel sheets have been advanced recently by $2 a ton, and the outlook is for less unsatisfactory earnings during the current quarter than were reported last year.

METALS—Advances in non-ferrous metal prices during the past fortnight have been quite general and, in some instances, almost sensational. Reduction of Phelps-Dodge operations to 10% of capacity has revived talk of a general shut-down of copper mines in this country, and the red metal has jumped to 6¾ cents. Tin, partly in consequence of our gold embargo, has risen 7 cents to 37.5. Even zinc is up 6.5 cents. Silver has advanced to 36 cents in further reflection of improving prospects for its wider use for monetary purposes. In most instances, however, prices are still below the cost of production, and further advances will be necessary to enable producers to operate at a profit. There seems to be a disposition among speculators to take full advantage of all the inflation talk, and a price reaction of some proportions might easily take place in the not distant future.

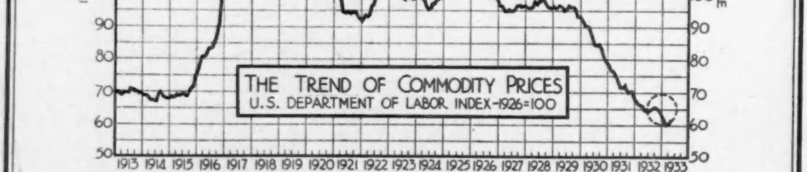
PETROLEUM—To comply with court interpretation of present proration laws, the Railroad Commission has raised the daily allowable production in East Texas to nearly twice the old allowable of 400,000 barrels. In consequence of this, the flow of crude last week rose to the record total of 2.5 millions daily, which is 25% in excess of current requirements. The flood has forced crude prices down in this field to an all time low of 10 cents a barrel. Conditions in the industry are so chaotic that the Federal Government will be forced to step in to prevent wanton waste of such an inherently valuable natural resource. Since the cost of crude to refiners has now dropped to the bare cost of transportation, further price recessions are impossible and any change must be for the better. This would seem to account for the general resistance shown by oil securities to such seemingly bad news. Indeed, they actually have rallied quite sharply on the belief that the change for the better would not be long delayed.

LEATHER—Depreciation of the dollar in terms of foreign currencies has facilitated an unusually sharp advance in the prices for hides, of which we are obliged to import a considerable quantity even in these depressed times. The advance has made it possible to obtain better prices for leather; so that our gold embargo has proved of immediate benefit, not only to tanners, but also to meat packers for whom hides are an important by-product. An advance in shoes prices cannot long be delayed, if hide and leather prices are maintained.

TEXTILES—Rising prices for cotton, silk, and rayon have stimulated a sudden influx of orders to the textile mills, such as took place under similar circumstances last autumn. A considerable proportion of this buying is in anticipation of future requirements, and so offers little encouragement of being permanent. The textile industry is highly speculative and, as an index in the past, has not been especially reliable.

Conclusion

In view of the fact that the depression was ushered in during the autumn of 1929 by a break in our Business Activity index below the 100 level, it is especially encouraging to observe that this index has now again risen through 100. To infer from this that better business lies ahead, regardless of Government aid, appears to be justified by something more than mere analogy. Expenses have been drastically curtailed during the past few years; so that the very fact that the physical volume of business in many lines is now running ahead of last year should of itself point to rising profits from now on, especially in view of the considerable gains in commodity prices which have made inventory losses a nightmare of the past. If the present rise in prices were purely speculative, it might soon collapse; but, being accompanied by expanding employment, it would seem that business has at last started upon an upward spiral.

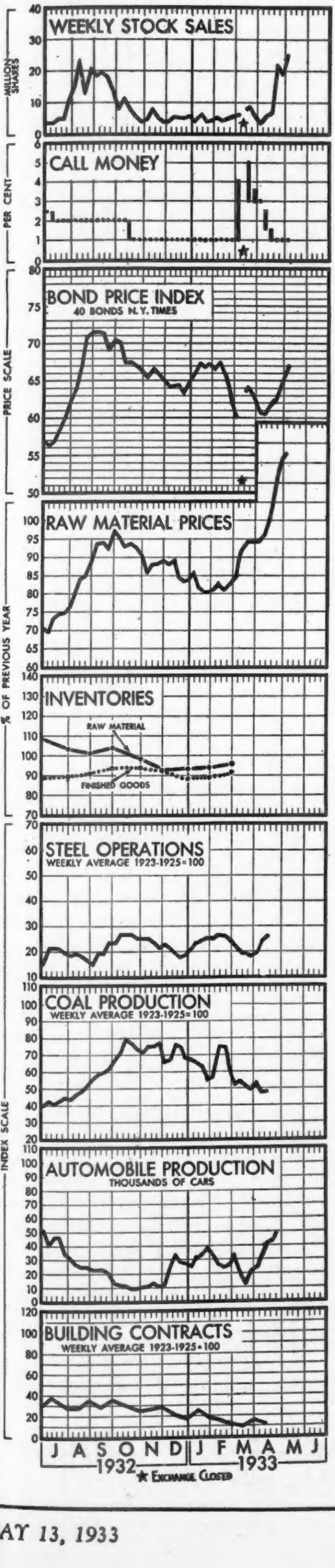


Changing in Major Commodity Price Groups for Fortnight Ended April 15, 1933

Farm products	up	1.9	Metals	up	0.7
Foods	up	2.4	Building materials	up	0.1
Hides and leather	up	3.5	Chemicals	up	0.8
Textiles	up	1.5	Housefurnishings	up	0.1
Fuel and lighting	down	0.1	Miscellaneous	up	0.7

The Magazine of Wall Street's Indicators

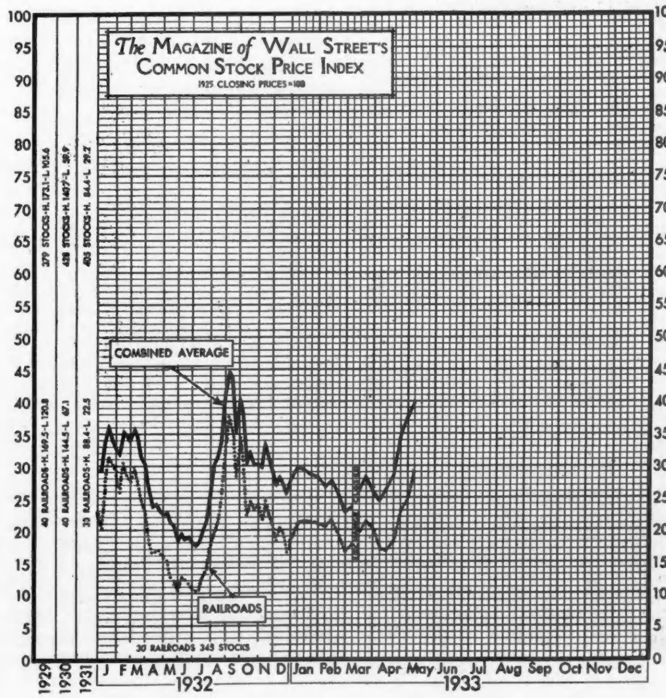
Business Indexes



Common Stock Price Index

1932 Indexes High	1932 Indexes Low	1932 Indexes Close	Number of Issues		1933 Indexes High	1933 Indexes Low	Apr. 22	Apr. 29	May 6
45.0	17.5	27.4	280	COMBINED AVERAGE	39.9	22.7	34.6	37.7	39.9h
66.8	17.9	32.3	3	Agricultural Implements	57.0	26.8	50.8	54.0	57.0h
59.3	11.4	16.9	6	Amusements	18.7	7.3	11.2	14.5	14.8
31.3	10.7	17.5	14	Automobile Accessories	24.7	12.4	18.1	22.6	24.7h
17.6	5.8	10.6	14	Automobiles	13.5	7.3	10.6	13.1	13.5h
62.5	16.2	56.2	4	Aviation (1927 Cl.—100) ...	70.9	41.8	61.9	70.9h	70.3
13.1	4.8	5.6	3	Baking (1926 Cl.—100)	11.4	5.1	8.8	10.0	11.4h
129.9	60.1	96.0	2	Biscuit	133.3	79.9	122.0	133.3h	132.4
83.8	29.6	45.5	5	Business Machines	74.6	37.7	65.9	70.8	74.6h
119.0	51.0	101.5	2	Cans	145.9	92.9	136.4	145.9h	142.9
113.3	53.6	96.3	8	Chemicals & Dyes	111.4	73.2	104.3	111.4h	107.7
44.3	13.1	18.9	2	Coal	20.8	12.0	16.1	20.0	20.8h
24.8	9.9	14.2	14	Construction & Bldg. Mat...	20.4	11.2	18.0	20.0	20.4h
57.2	14.9	24.0	8	Copper	49.4	21.2	47.7	49.4h	49.3
57.8	28.3	32.6	2	Dairy Products	39.0	23.0	34.6	37.8	39.0h
16.3	4.5	7.9	7	Department Stores	14.6	6.6	12.0	13.5	14.6h
74.3	35.1	53.7	8	Drug & Toilet Articles	58.9	45.3	54.4	53.2	58.9h
63.9	28.7	42.2	4	Electric Apparatus	63.8	35.6	54.9	61.5	63.8h
58.7	23.7	33.2	2	Finance Companies	58.8	33.2	46.3	49.0	58.8h
56.1	28.3	39.5	5	Food Brands	51.4	32.6	49.5	51.4h	51.4
56.4	33.9	49.6	3	Food Stores	64.2	40.5	60.6	64.2h	63.8
41.8	11.7	17.0	2	Furniture & Floor Covering..	25.7	13.8	18.8	23.1	25.7h
527.8	357.9	514.0	2	Gold Mining	736.5	481.2	736.5H	673.0	697.9
21.1	9.6	12.4	4	Household Equipment	19.6	10.5	15.9	16.8	19.6h
31.5	9.5	22.0	7	Investment Trusts	26.5	14.5	23.1	23.6	23.6
27.4	7.7	20.0	2	Mail Orders	29.8	13.5	26.1	29.8h	29.4
55.8	19.3	30.1	7	Metal Mining & Smelting...	67.2	30.1	63.7	67.2h	65.8
42.4	21.6	33.2	24	Petroleum & Natural Gas....	47.7	29.3	43.5	44.4	47.7h
22.5	6.2	9.8	4	Phonos. & Radio (1927—100)	13.6	6.7	10.0	11.2	13.6h
94.9	37.1	63.5	20	Public Utilities	68.2	40.8	55.5	58.9	63.3
37.8	13.0	17.7	5	Railroad Equipment	33.5	17.7	29.2	33.1	33.5h
37.8	10.4	18.1	29	Railroads	29.1	16.3	23.0	24.6	29.1h
44.4	14.9	27.0	2	Restaurants	29.3	19.9	23.3	25.9	27.2
89.9	58.0	60.8	2	Soft Drinks (1926 Cl.—100)..	71.8	57.8	66.2	70.0	71.2
45.9	11.7	23.3	7	Steel & Iron	40.1	19.1	34.6	39.3	40.1h
12.4	3.8	7.3	3	Sugar	17.2	7.3	16.4	16.6	17.2h
121.6	53.9	112.1	2	Sulphur	129.3	79.3	125.9	126.1	129.3h
57.2	21.0	35.9	3	Telephone & Telegraph	48.4	28.1	41.5	48.4h	48.3
52.5	16.3	30.1	5	Textiles	41.5	22.5	37.9	41.5h	40.8
11.0	2.5	4.4	4	Tires & Rubber	8.7	3.0	6.7	7.7	8.7h
68.6	40.8	48.2	4	Tobacco	72.7	46.2	67.7	72.7h	71.5
57.0	17.9	22.7	3	Traction	35.4	22.3	34.0	33.4	35.4h
50.9	23.3	34.3	2	Variety Stores	35.1	23.3	32.1	32.0	34.1

H—New High record since 1928 h—New high this year



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer, by mail or telegram, inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts but be brief.
2. Confine your requests to *three listed securities.*
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4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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WESTERN UNION TELEGRAPH CO.

I have 35 shares of Western Union that cost me a little above the present market price. Do you think that the present up-move should be taken advantage of to sell or do the prospects of the company at this time warrant holding? I would appreciate your unbiased advice as I do not want to make the wrong move at this time. Will the new situation in foreign exchange be of any benefit to this company.—R. L. K., Seattle, Wash.

Western Union Telegraph Co. incurred a loss of $842,595 for the calendar year 1932, in contrast with profits of $5,974,499, or $5.71 a share on the capital stock in the preceding year. The balance sheet as of December 31, 1932, revealed total current assets of $23,875,603 against total current liabilities of $12,722,351. Net working capital at the close of last year amounted to $11,153,252 against $14,274,288 a year earlier. In line with the trend evidenced last year, operating economies were effected wherever possible without endangering the efficiency of the service rendered by the company. In this connection, it is maintained that the company as now constituted can handle a substantial increase in gross business, without a corresponding increase in operating expenses, with the result that the differential should be reflected in net available to common stockholders. Although gross revenues during the first two months of 1933 were below those of the corresponding period of last year, noticeable improvement was registered during March and April. Therefore, based on the assumption that the worst phases of the current depression have passed, and barring any unforeseen adverse developments, improved operating results should evidence themselves by the year-end, at least. While admittedly, the common stock must be regarded as entirely speculative, the shares appear suitable for retention, providing that you are not averse to assume reasonable risk.

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.

A friend of mine advised me to sell my holdings in International Telephone and Telegraph Corp. and I was about to do it when the U. S. went off the gold standard. It seemed to me that this should put the company in a far more favorable position, since so much of its income is in foreign money which now means a greater income in American dollars. Please tell me the probable effect on their earnings and if I should continue holding, also if this is a good time to average.—R. F. K., Chicago, Ill.

Admittedly, the industrial lethargy prevailing throughout the world has contributed to the shrinkage of profits for International Telephone & Telegraph Corp., but much of the income loss may be attributed to substantial write-offs necessitated by depreciation of foreign exchange in comparison with the United States dollar. As a matter of fact, this unfavorable course of events has, to a great extent, prevented International Tel. & Tel. from drawing on its foreign subsidiaries, since the company, in the conversion of such funds into United States dollars, was confronted with an insurmountable obstacle of "gold embargoes" declared by many of the countries in which it operates. The abandonment of the "gold standard" by this country, and the declaration of the present Administration that it would not support the "dollar" and allow it to seek its own level on the Exchanges of the world should work to the benefit of International Tel. & Tel. in that further losses resulting from foreign exchange depreciation will be restricted, if not entirely eliminated. The domestic subsidiary, Postal Telegraph & Cable Corp., was responsible for the greater part of the loss of $3,981,171 registered by International, the deficit of the subsidiary amounting to $3,268,000 for the year. In this connection, the management has closed unprofitable offices and readjusted wages, with the result that anticipated business improvement, as it materializes should be reflected directly in profits. Of course, the restricted financial condition of International Tel. & Tel. Corp. is somewhat disconcerting, although the strong banking sponsorship of the company probably will permit a further extension of exist-

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ing bank loans. Despite the rather substantial rise in quotations for the common stock evidenced during the recent past, we are inclined to maintain a moderately constructive attitude toward the shares on a purely speculative basis, and counsel maintenance of your present position.

NATIONAL DAIRY PRODUCTS

What is your opinion as to the outlook for National Dairy Products? I have 100 shares at an average price of 35. Do you think it can come back or would you advise selling? How will the Pitcher bill really affect its outlook? I will appreciate your advice at once if you advise me to switch to some other stock with greater prospects.—M. L. B., Hartford, Conn.

Despite operating economies effected during the year, profits of National Dairy Products for 1932 declined to $12,537,380 or $1.88 a share on the no par common stock, from $22,547,973 or $3.47 a share in 1931. Although operating results during the entire year were below those of the preceding 12 months, earnings decline was particularly pronounced in the final three months of 1932, reflecting the beginning of a "price-war" which was carried through the first two months of 1933. The farm price for milk is now said to be at an irreducible minimum with the result that any further reduction in retail prices must, of necessity, be absorbed by the dairy companies. In this connection, the Pitcher Milk Bill, recently passed by the New York State Legislature, is a constructive step in that a minimum price will be set for milk, not only retail, but also to the farmer. Although this bill is not to be regarded as a "cure-all" it has already resulted in some price improvement in and around the metropolitan district of New York, the "storm center." In all probability, should the effort toward price control prove successful in New York State, it is quite likely that similar legislation will be passed in other leading dairy states, a factor that augurs well for National Dairy Products. Furthermore, National Dairy has maintained an excellent financial condition; total current assets as of December 31, 1932, amounted to $56,053,517 of which $25,527,621 consisted of cash and marketable securities, against total current liabilities of $16,373,152. While we do not anticipate substantial profits gains during the immediate future, longer term prospects of the company remain favorable, and present holdings of the common stock should be retained.

SEARS, ROEBUCK & CO.

Will you kindly give me information as to Sears, Roebuck & Co.'s possibilities? Will any great increase in their business depend upon renewed buying power of the farmer? Are the mortgages on the houses they sold likely to have any bearing on earnings? Will the company benefit if inflation comes? I realize I am asking a good many questions, but I have 400 shares and I want to know whether to hold or switch to some other stock.—H. F. L., Wilmington, Del.

The annual report of Sears, Roebuck & Co., for the period from December 31, 1931, to January 28, 1933, revealed a net loss of $2,543,651 in contrast with profits of $12,169,672 equal to $2.50 a share on the average number of capital shares outstanding in the calendar year 1931. However, substantial economies have been effected, and it is the belief of the management that should sales volume during the year ending January 28, next, equal that of the year just closed, the company will be able to at least break even, and possibly report a moderate profit. While this forecast may be somewhat optimistic, it is at least interesting to note that total dollar sales for the year can decline as much as $30,000,000 without increasing the deficit above that of last year. A study of the pamphlet report reveals that the market situation in the "modern home" division of the company's operations has been kept under close observation with apparently satisfactory reserves set up for contingencies. Furthermore, the management, believing the time opportune for building up its inventory position, immediately at the close of the "bank holiday" began placing orders for its fall business. Obviously, resumption of normal profits must await substantial betterment in the agricultural situation, as well as material improvement in the unemployment situation. Nevertheless, prevailing prices for the common stock appear to discount restricted near term earnings outlook, and we are inclined to advocate the maintenance of your present position in the shares with a view toward speculative developments.

PULLMAN, INC.

With the transportation end of Pullman showing a loss for the first time in many years and the not too bright prospects for the railroads I am wondering if it would not be advisable to sell my stock. I have about 75 shares which of course would cause me some loss. Do you expect any dividend adjustment? I would appreciate an early reply.—B. M. F., Nashville, Tenn.

In spite of increased car mileage registered last year, average loading for each car registered a rather pronounced falling off, with the result that the transportation division of Pullman, Inc., for the first time in more than a quarter of a century, incurred a loss. Furthermore, the deficit reported by the manufacturing division for last year was substantially larger than in the preceding year, resulting in a net loss for Pullman, Inc., of $3,834,724 before dividends on the common stock. By virtue of the fact that the transportation division has been the mainstay of the parent concern during the more recent years, the management is concentrating its efforts in this division with a view toward increasing traffic and revenues. In this connection, numerous service improvements have been projected, and an intensive advertising campaign is being conducted by the company. In the light of the foregoing, therefore, any further losses in this division should be of restricted proportions. As of December 31, last, total current assets amounted to $75,170,634 of which $37,895,923 consisted of cash and U. S. Government securities and $1,720,138 of marketable securities (carried at cost or market, whichever is lower) against total current liabilities of $10,892,752, leaving net working capital of $64,277,882. The foregoing report should allay any apprehension relative to the ability of Pullman to withstand what remains of the current depression. On the other hand, directors of the company may deem it advisable in the interest of conservatism to revise their policies relative to dividend distributions on the capital stock, although this uncertainty is amply discounted at prevailing quotations for the shares. Accordingly, we are inclined to counsel the maintenance of present holdings with a view toward eventual recovery of earning power as opposed to a sacrifice sale at current levels.

YOUNGSTOWN SHEET & TUBE CO.

I am holding 125 shares of Youngstown Sheet & Tube Co. bought at an average of about $50 per share. Do you think this stock will stage an early comeback or is it also considered as one of the heavy industries and likely to be slow in recovery? I am willing to hold as a speculative investment if you advise or will switch to some other company if you think I can profit quicker. Please give me a detailed report.—R. H. B., Philadelphia, Pa.

Youngstown Sheet & Tube Co., reported for the quarter ended March 31, 1933, a net loss of $3,473,370, against a loss of $3,057,736 in the initial quarter of last year. In spite of deficit operations during the past

(Please turn to page 87)

New York Stock Exchange

RAILS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/3/33	Share
A								
Atchison	202⅝	79¼	94	17⅞	57⅜	34⅝	55⅝	..
Atlantic Coast Line	120	25	44	9¾	33⅝	16½	31¾	..
B								
Baltimore & Ohio	87⅞	14	21⅜	3¾	15	8¼	14¼	..
Bangor & Aroostook	66¾	18	35¾	9½	32½	20	31	2
Brooklyn-Manhattan Transit	69⅝	31⅛	50¼	11⅛	33¼	21¾	31½	..
C								
Canadian Pacific	45⅜	10¾	20⅝	7¼	14⅝	7½	13¾	..
Chesapeake & Ohio	46½	23⅜	31½	9¾	34¼	24⅝	33⅛	2½
C. M. & St. Paul & Pacific	8⅞	1½	4½	¾	2½	1	2½	..
Chicago & Northwestern	45½	5	14½	2	6⅞	1¼	6½	..
Chicago, Rock Is. & Pacific	65½	7⅞	16⅜	1½	7	2	6⅞	..
D								
Delaware & Hudson	157¼	64	92½	32	64½	37⅝	61	..
Delaware, Lack. & Western	102	17¾	45⅞	8½	29⅜	17¼	27½	..
E								
Erie R. R.	39¾	5	11¾	2	8⅜	3¾	8	..
G								
Great Northern Preferred	69¾	15⅝	25	5½	17¼	4⅝	16½	..
H								
Hudson & Manhattan	44½	26⅛	30¾	8	16⅛	11½	15	..
I								
Illinois Central	89	9⅛	24⅞	4¾	19½	8½	18¼	..
Interborough Rapid Transit	34	4⅝	14⅝	2¼	7¼	4⅛	6¼	..
K								
Kansas City Southern	45	6⅞	15¼	2¼	13½	6⅛	12½	..
L								
Lehigh Valley	61	8	29¼	5	17½	8⅝	16	..
Louisville & Nashville	111	20⅛	34¼	7½	40⅞	21¼	39	..
M								
Mo., Kansas & Texas	26¾	3⅞	13	1¼	12	5¾	11¼	..
Missouri Pacific	42¾	6⅝	11	1⅛	4⅜	1⅛	2½	..
N								
New York Central	132¼	24⅞	36⅝	8¾	27½	14	25⅞	..
N. Y., Chic. & St. Louis	88	2½	9¾	1½	4½	2⅛	4	..
N. Y., N. H. & Hartford	94⅞	17	31⅝	6	20¼	11⅛	19	..
N. Y., Ontario & Western	13⅞	5¼	15¾	3⅝	12⅞	7⅝	12	..
Norfolk & Western	217	105⅝	135	57	143	111½	140¼	8
Northern Pacific	60⅞	14½	25¾	5½	20⅞	9⅝	19⅛	..
P								
Pennsylvania	64	16¼	23⅜	6½	23⅜	13¾	22¼	.50
Pere Marquette	85	4	18	1¾	12¾	3⅞	11⅛	..
Pittsburgh & W. Va.	86	11	21½	6	17⅜	6⅛	17½	..
R								
Reading	97½	30	52¼	9½	40	23½	35⅞	1
S								
St. Louis-San Fran.	62¾	3	6⅝	⅝	1½	⅞	1⅜	..
St. Louis-Southwestern	33½	4¼	13⅞	3	6	5¼	6	..
Southern Pacific	109½	26½	37⅝	6½	22¾	11⅛	21½	..
Southern Railway	65⅞	6⅜	18½	2½	15½	4⅛	14⅜	..
T								
Texas & Pacific	100	22	35	13	32	15	31	..
U								
Union Pacific	205⅛	70⅛	94½	27⅝	82⅝	61¼	79	6
W								
Western Maryland	19⅝	5	11⅝	1½	9⅜	4	8¾	..
Western Pacific	14⅞	1¾	4¾	½	2⅛	1	2⅛	..

INDUSTRIALS and MISCELLANEOUS

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/3/33	Share
A								
Adams Express	23½	3⅛	9½	1⅝	7⅛	3	7	..
Air Reduction, Inc.	109¾	47⅝	63½	30⅞	68½	47½	66½	3
Alaska Juneau	20⅛	7	16⅝	7¾	18⅜	11⅛	15½	.60
Allegheny Corp.	12¾	1⅛	3⅝	⅜	1⅝	⅞	1½	..
Allied Chemical & Dye	182¾	64	88¼	42½	95	70¾	90⅝	6
Allis Chalmers Mfg.	42¾	10½	15⅜	4	13⅝	6	13	..
Amer. Brake Shoe & Fdy	38	13½	17⅞	6⅛	21	9⅛	20¾	.60
American Can	129¾	58⅛	73⅞	29⅝	84½	49½	80½	4
Amer. Car & Fdy.	38¾	4½	17	3⅛	15¾	6⅛	15	..
Amer. Com'l Alcohol	14½	5	27	11	23¾	13	23	..
American Ice	31⅝	10½	21⅝	3⅜	7⅛	3¾	7	..
Amer. International Corp.	26	5	12	2½	10¾	4¼	9⅜	..
Amer. Mchy. & Fdry.	43¾	16	22¼	7½	15¾	8¾	15⅝	.80
Amer. Power & Light	64⅞	11⅜	17¼	3	9¼	4	8	..
Amer. Radiator & S. S.	21⅛	5	12¼	3⅛	10⅝	4⅝	10¼	..
Amer. Rolling Mill	37⅜	7⅜	18½	3	15⅛	5¾	14⅛	..
Amer. Smelting & Refining	58⅛	7⅛	27¼	5⅛	31⅞	10¾	30⅜	..
Amer. Steel Foundries	31⅛	5	15⅛	3	12¼	4⅝	11⅛	..
Amer. Sugar Refining	60	34½	39¼	13	53½	21½	50	2
Amer. Tel. & Tel.	201¾	112⅛	137⅜	70¼	109⅜	86½	99½	9
Amer. Tobacco Com.	128¾	60⅛	86¾	40½	81	49	78	5
Amer. Tob. B	132¾	64	89¼	44	83⅛	50¾	81	5
Amer. Water Works & Elec.	80¾	23⅛	34½	11	22⅝	10⅞	21	1
Amer. Woolen	11⅞	2⅝	10	1⅜	8⅞	3⅛	8½	..
do Pfd.	40	15¼	39⅞	15⅛	40¼	22⅝	39½	..
Anaconda Copper Mining	43¼	9¼	19⅜	3	15⅛	5	13⅜	..
Armour Ill. A	4½	¾	2¾	⅝	3¾	1⅛	3⅝	..
do B	2⅞	⅛	2	⅝	2⅛	¾	2⅛	..
Atlantic Refining	23⅝	8⅝	21⅞	8⅝	19¼	12⅜	17½	1
Auburn Auto	295½	84½	151⅜	28⅜	56½	31¼	45⅝	2
Aviation Corp. Del.	6⅛	2	8⅞	1⅛	12⅛	5⅛	11⅝	..
B								
Baldwin Loco. Works	27⅞	4⅝	12	2	7½	3½	7	..
Barnsdall Corp.	14½	4	7	3⅜	6	3	5⅜	..
Beatrice Creamery	81	37	43⅛	10⅛	18	7	16¼	..
Beech-Nut Packing	62	37½	45¾	29¼	60¾	45	59½	3
Bendix Aviation	25½	12⅝	18¾	4½	13⅞	6⅛	12½	..

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931		1932		1933		Last Sale 5/3/33	Div'd $ Per Share
	High	Low	High	Low	High	Low		
B								
Best & Co.	46¼	19¾	24⅞	5¾	22⅞	9	21⅛	..
Bethlehem Steel Corp.	70⅛	17¼	29⅝	7¼	26⅛	10⅛	25⅛	..
Bohn Aluminum	43	15½	22¼	4⅞	24⅝	9½	22⅞	..
Borden Company	76½	35⅛	43⅛	20	32¾	18	32⅜	1.60
Borg Warner	30¾	9	14¼	3⅜	12⅜	5½	11⅜	..
Briggs Mfg.	22¾	7½	11¾	2⅞	6⅜	2⅝	6¼	..
Burroughs Adding Mach.	32¼	10	13¼	6¼	13⅞	6⅛	13⅜	.40
Byers & Co. (A. M.)	69¾	10⅞	24⅝	7	19⅜	8½	18⅜	..
C								
California Packing	53	8	19	8	19½	7¾	18⅛	..
Canada Dry Ginger Ale	45	10⅜	15	6	11¾	7½	11	1
Case, J. I.	131½	33¼	65¾	16¾	61½	30½	58½	..
Caterpillar Tractor	52½	10¼	15	4⅜	14¾	5⅛	14	..
Cerro de Pasco Copper	30⅛	9⅞	15½	3½	24	5⅞	21⅝	..
Chesapeake Corp.	54⅛	13⅞	20¾	4⅞	24½	14⅞	24	2
Chrysler Corp.	25¾	11¾	21¾	5	18⅝	7¾	17⅜	..
Coca-Cola Co.	170	97½	120	68½	88	73½	81	7
Colgate-Palmolive-Peet	50½	24	31½	10¼	13⅞	7	13⅛	..
Columbian Carbon	111⅝	32	41⅞	13½	46⅝	23⅛	46	2
Colum. Gas & Elec.	45⅝	11⅝	21	4¼	17¾	9	16¼	.80
Commercial Credit	23¼	8	11	3⅞	7½	4	7¼	..
Comm. Inv. Trust	34	15½	27⅞	10⅞	30⅜	18	28½	2
Commercial Solvents	21½	6⅝	13¾	3½	18¼	9	16½	.60
Commonwealth & Southern	12	3	5⅛	1⅝	2⅞	1⅜	1¾	..
Congoleum-Nairn	14¾	6⅞	12¼	6½	13	7⅜	12½	.60
Consolidated Gas of N. Y.	109⅝	57¼	68¾	31½	63¼	40	50¼	3.40
Consol. Oil	15⅞	4⅛	9	4	8¼	5	7	..
Continental Baking Cl. A	30	4⅛	8	2⅞	7¼	3	7	..
Continental Can, Inc.	62¾	30¼	41	17⅜	56	35¼	53⅜	2
Continental Insurance	51⅞	18⅛	25¼	6¾	22½	10½	21¾	1.20
Continental Oil	12	5	9⅝	3⅝	10	4⅞	8⅞	..
Corn Products Refining	86⅝	36¼	55¾	24¾	74	45⅜	69⅞	3
Crown Cork & Seal	38¼	13¾	23⅞	7⅞	25⅞	14¼	25¼	..
Cudahy Packing	48⅞	29	35½	20	41	20¾	40	2½
Curtiss Wright, Common	5⅞	1	3¼	⅞	2⅛	1⅛	2	..
D								
Diamond Match	23	10⅝	19⅛	12	23½	17⅛	23	1
Dome Mines	13⅛	6⅝	12⅞	7½	18½	12	17¾	*1.30
Dominion Stores	24	11	18½	11¼	17½	10½	17	1.20
Douglas Aircraft	21¼	7⅞	18⅝	5	15¼	10¼	14½	.75
Drug, Inc.	78¾	42¾	57	23	45	29	43¼	3
Du Pont de Nemours	107	50¾	59¾	22	55⅞	32⅛	54	2
E								
Eastman Kodak Co.	185¾	77	87⅞	35¼	67½	46	64¾	3
Electric Auto Lite	74⅜	20	32¾	8⅛	20⅞	10	17¾	..
Elec. Power & Light	60¾	9	16	2¾	8¾	3⅛	7⅝	..
Elec. Storage Battery	66	23	33¼	12⅝	35	21	33⅛	2
Endicott-Johnson Corp.	45⅜	23½	37¼	16	45⅛	26	44	3
F								
Firestone Tire & Rubber	21½	12⅞	18⅞	10½	19⅛	9⅛	18⅝	.40
First National Stores	63	41	54½	35	59⅞	43	58½	2½
Fox Film Cl. A	38⅜	2½	5⅞	1	2⅛	¾	2	..
Freeport Texas Co.	43¼	13¼	28⅝	10	31	16⅛	29¾	2
G								
General Amer. Transport	73⅛	28	35¾	9½	25	13¾	24⅝	1
General Asphalt	47	9⅝	15½	4¾	11½	4⅝	10	..
General Baking	25⅝	9½	19⅝	10½	18⅞	13	18	2
General G. & E. A.	8½	1¼	2¾	⅜	1⅛	⅝	⅞	..
General Electric	54¾	22⅞	26⅛	8½	20⅜	10½	19⅝	.40
General Foods	56	28¼	40½	19⅝	32⅝	21	31½	1.60
General Mills	50	29⅛	48½	28	56¼	35½	53½	3
General Motors Corp.	48	21⅜	24⅝	7⅝	22⅜	10	21	1
General Railway Signal	84⅛	21	28⅝	6⅛	25¾	13¼	25⅜	1
Gillette Safety Razor	38¾	9¼	24¼	10⅜	20¼	9¾	12	1
Gold Dust Corp.	42⅛	14½	20⅝	8¼	20¼	12	19	1.20
Goodrich Co. (B. F.)	20⅞	3⅜	12⅜	2¼	11	3	11	..
Goodyear Tire & Rubber	52¾	13¾	29¾	5⅛	31¼	9¼	31¼	..
Gulf States Steel	37½	4	21⅛	2⅛	21¼	6¾	21¼	..
H								
Hershey Chocolate	103¾	68	83	43½	57¾	35⅛	52½	3
Houston Oil of Texas (New)	14	3	28¼	8¾	20⅜	8¼	18	..
Hudson Motor Car	26	7¾	11¾	2⅞	7⅞	3	7⅜	..
Hupp Motor Car	13⅛	3¾	5⅜	1⅛	3⅞	1⅝	3⅝	..
I								
Ingersoll-Rand	182	25⅜	44⅞	14¾	41	19⅛	40	1½
Inter. Business Machines	179¾	92	117	52⅛	114	75¾	112	6
Inter. Cement	62½	16	18¾	3⅝	17½	6⅛	16¼	..
Inter. Harvester	60½	22⅜	34⅛	10⅜	35⅛	13⅝	33½	.60
Inter. Nickel	20⅛	7	12½	3½	15	6¾	14¼	..
International Shoe	54	37	44⅝	20¼	41	24⅜	39⅞	2
Inter. Tel. & Tel.	38¾	7⅛	15¾	2⅝	13	5⅛	11¼	..
J								
Johns-Manville	80¾	15⅝	33⅜	10	29⅛	12¼	28	..
K								
Kennecott Copper	31½	9⅝	19¼	4⅞	18	7⅜	18	..
Kresge (S. S.)	29⅝	15	19	6⅝	10¾	5⅛	9⅞	..
Kroger Grocery & Baking	35½	12½	18⅞	10	30	14½	28	1
L								
Lambert Co.	87⅞	40⅛	56¾	25	34½	22⅛	32¼	4
Lehman Corp.	69⅜	35	51⅞	30½	59	37¼	58¼	2.40
Liggett & Myers Tob. B	91¾	40	67¼	34⅛	82⅜	49¼	80	*5
Liquid Carbonic	55⅛	13⅛	22	9	19½	10¼	19	..
Loew's, Inc.	63½	28⅞	37¾	13¼	21½	8½	15⅞	1
Loose-Wiles Biscuit	54⅞	29⅞	36⅜	16½	36⅞	19¼	36½	2
Lorillard	21⅞	10	18⅜	9	19¾	10⅜	18¾	1.20
M								
Mack Truck, Inc.	43⅞	12	28¾	10	29⅝	13½	27¼	1
Macy (R. H.)	106¼	50	60½	17	54¼	24¼	52	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1931		1932		1933		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/3/33	Share
M								
Marine Midland	24¼	9¼	14⅜	6½	11½	5¼	7¼	.80
Mathieson Alkali	31½	12	20⅞	9	23⅞	14	23¾	1½
May Dept. Stores	39	15⅝	20	9½	23½	9¾	22½	1
McKeesport Tin Plate	103½	38½	62¼	28	77⅛	44⅛	76¼	4
Mont. Ward & Co	29¼	6⅝	16½	3½	23½	8⅝	22⅜	..
N								
Nash Motor Co.	40⅞	15	19¾	8	17⅜	11⅛	15¾	..
National Biscuit	83¾	36⅜	46⅞	20¼	49¾	31½	49½	2.80
National Cash Register A	39¾	7⅛	18¾	6¼	14¾	5⅛	14	..
National Dairy Prod	50¾	20	31⅜	14⅜	18¾	10½	18	1.20
National Power & Light	44¼	10¼	20⅜	6⅝	15¼	6⅞	13¼	1
National Steel	58⅛	18½	33⅞	13½	37⅝	15	36¾	.50
Nevada Consol. Copper	14¾	4¾	10¼	2½	9⅜	4	9¼	..
North Amer. Aviation	11	2⅜	6⅝	1¼	8	4	7¾	..
North American Co.	90¼	26	43¼	13¾	31½	15¼	24⅜	§8%
O								
Ohio Oil	19½	5⅛	11	5	9¼	4¾	8	..
Otis Elevator	58½	16⅛	22½	9	16¼	10⅛	15¼	.60
Otis Steel	16⅜	3½	9¼	1¼	4⅜	½	3¾	..
Owens Ill. Glass	39¾	20	42¼	12	58¾	31½	57	2
P								
Pacific Gas & Electric	54⅞	29⅝	37	16⅞	31¼	20	24¾	2
Pacific Lighting	69½	35	47½	20¾	43⅜	25¼	30½	3
Packard Motor Car	11⅞	3⅞	5¼	1½	3⅛	1¾	3⅜	..
Penney (J. C.)	44¾	26¾	34½	13	37	19¼	36	1.20
Peoples Gas—Chic.	250	107	121	39	78	41⅜	56	5
Phelps Dodge Corp.	25⅝	5⅞	11⅝	3⅞	11⅜	4⅛	11	..
Phillips Petroleum	16⅝	4	8⅛	2	9	4¾	8½	..
Procter & Gamble	71¼	36⅜	4 ¾	19⅞	40	19⅝	37⅝	1½
Public Service of N. J.	96½	49⅛	60	28	55¼	33¼	44½	2.80
Pullman, Inc.	58½	15¼	28	10⅛	36	18	34⅜	3
Pure Oil	11⅞	3¼	6⅛	2⅞	5½	2½	4⅝	..
Purity Bakeries	55¼	10¾	15⅞	4⅜	16¾	5⅞	16¼	1
R								
Radio Corp. of America	27½	5⅛	13½	2⅛	7¾	3	7⅝	..
Radio-Keith-Orpheum	4	2¾	7¾	1½	3⅝	1	2¼	..
Remington-Rand	19¾	1⅞	7½	1	5¼	2½	5¼	..
Republic Steel	25⅜	4⅛	13⅞	1⅞	14	4	13½	..
Reynolds (R. J.) Tob. Cl. B	54½	32½	40¼	26½	40	26½	39½	3
Royal Dutch	42⅝	13	23¾	12⅛	24⅞	17⅝	24	..
S								
Safeway Stores	69½	38⅝	59¼	30⅛	48¾	28	47⅞	3
Sears, Roebuck & Co.	63¼	30¼	37⅜	9⅞	25½	12½	24	..
Seaboard Oil—Del.	20¾	5½	20⅜	6⅜	28¾	15	26	*.50
Servel, Inc.	11¾	3½	5⅜	1½	3⅝	1½	3⅜	..
Shattuck (F. G.)	29½	8¼	12¾	5	10⅜	5¾	9⅛	.24
Shell Union Oil	10¼	2½	8¾	2½	6½	4	6	..
Simmons Co.	23¾	6⅞	13⅜	2¾	10¾	4⅜	10⅛	..
Socony-Vacuum Corp.	21	8⅜	12¼	5¼	11	6	9	..
So. Cal. Edison	54½	28⅜	32¾	15¾	28	17½	20¼	2
Standard Brands	20½	10½	17⅞	8⅜	19½	13¾	18½	1
Standard Gas & Elec. Co	88⅜	25⅛	34¼	7⅝	15¾	5⅛	12½	..
Standard Oil of Calif	51¾	23⅛	31⅞	15⅛	31⅞	19½	28	1
Standard Oil of N. J.	52½	26	37⅜	19⅞	35¼	22¾	31⅞	1
Stewart-Warner Speedometer	21⅞	4¾	8½	1⅞	5⅞	2½	5⅜	..
Stone & Webster	54½	9⅞	17⅜	4⅝	10⅝	5¾	10	..
Studebaker Corp.	26	9	13¾	2½	5¼	1½	4	..
T								
Texas Corp.	36¼	9⅞	18¼	9¼	17⅝	10¾	14¾	1
Texas Gulf Sulphur	55¾	19½	26¾	12	26½	15¼	25⅝	1
Texas Pac. Land Tr.	17⅝	4¼	8½	2½	6⅞	3½	6	..
Tide Water Assoc. Oil	9	2⅛	5⅝	2	5	3⅛	4½	..
Timken Roller Bearing	59	16½	23	7¾	24¾	13¾	22	1
Transamerica Corp.	18	2	7⅛	2⅛	6	2⅝	5¼	..
Tri-Continental Corp.	11¾	2	5½	1½	6	2¾	5¾	..
U								
Underwood-Elliott-Fisher	75¾	13⅜	24⅜	7⅜	25	9¼	25	.50
Union Carbide & Carbon	72	27⅛	36⅜	15½	35	19¾	33⅛	2
Union Oil of Cal	26⅝	11	15⅜	8	14	8½	12⅛	1
United Aircraft & Trans	38⅞	9⅞	34⅜	6½	28⅞	16½	27⅛	..
United Carbon	28¾	6⅛	18	6⅝	17⅞	10¼	17¼	..
United Corp.	31¼	7½	14	3½	10⅛	4⅞	7⅞	.40
United Corp. Pfd.	52⅛	26⅛	39⅜	20	37⅜	24⅞	33	3
United Fruit	67¾	17½	32⅜	10¼	49	23¼	46¾	2
United Gas Imp.	37½	15⅜	22	9¼	20⅜	14	17½	1.20
U. S. Industrial Alcohol	77⅜	20⅜	36¼	13¼	30	13½	27⅛	..
U. S. Pipe & Fdy.	37⅛	10	18⅛	7¼	14¼	6⅛	13⅜	.50
U. S. Realty	36⅜	5½	11⅜	2	7¼	2½	6¾	..
U. S. Rubber	20⅜	3½	10¼	1¼	9⅛	2⅞	8⅝	..
U. S. Smelting, Ref. & Mining	25¾	12⅜	22¾	10	43⅞	13½	38¾	1
U. S. Steel Corp.	152⅜	36	52⅝	21¼	49¼	23⅜	46⅝	..
U. S. Steel Pfd.	150	94	113	51⅛	83⅜	53	79⅞	2
Util. Power & Lt. A	31	7⅞	10⅜	1⅛	4¼	1⅞	3¾	..
V								
Vanadium Corp.	76⅜	11	23¾	5¼	18⅝	7⅝	17⅝	..
W								
Warner Brothers Pictures	20⅜	2⅛	4½	½	3	1	2¾	..
Western Union Tel.	150⅜	33½	50	12⅜	38⅞	17¼	36⅞	..
Westinghouse Air Brake	36⅛	11	18⅛	9¼	22⅞	11⅜	22	1
Westinghouse Elec. & Mfg	107¾	22½	43½	15⅝	37⅛	19⅜	35¾	..
Woolworth Co. (F. W.)	72¾	35	45⅝	22	37⅛	25⅛	35¾	2.40
Worthington Pump & Mach	106⅞	15¼	24	5	18⅜	8	17½	..
Wrigley (W. Jr.)	80⅜	46	57	25¼	46½	34½	45	3

§ Payable in stock. * Including extras.

Answers to Inquiries

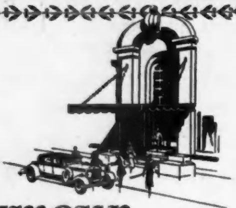
(Continued from page 83)

two years, the company has maintained a formidable financial condition, total current assets, as of March 31, 1933, were approximately 14 times total current liabilities. Cash and Government securities alone amounted to $13,921,907. Operations during the first quarter of the current year averaged approximately 16.8% of capacity compared with 13.1% a year earlier. A marked improvement in demand for steel has been noted more recently, which should enable Youngstown to minimize its losses. Moreover, many operating economies have been effected during the past few years which should be reflected in satisfactory profits, given more normal industrial activity. To date this concern has been largely dependent upon the sales of steel pipe, but recently the management has given serious thought to the diversification of its line. In view of its present financial condition, the company appears well enough fortified to withstand a further period of restricted earnings and should participate fully in eventual increased takings by the oil, gas and automotive industries. Although satisfactory earnings may be somewhat slow in attainment, that fact, is amply discounted in current quotations for the shares. Hence, at current levels, maintenance of your position is advocated.

GREAT NORTHERN RAILROAD

What is your opinion as to the outlook for Great Northern Railroad? Will the government plans for a rail dictator be of benefit to this company? With the rails handicapped by so much regulation I am wondering if it would pay me to sell my stock and invest in some other industry with quicker and better prospects. I would appreciate your opinion as to its outlook and whether I should continue to hold or sell now.—F. R. T., Grand Rapids, Mich.

Great Northern's principal freight commodities are iron ore and grains Inactivity of the steel industry resulted in a sharp falling off in ore shipments while low wheat prices have tended to keep that commodity from moving to markets. The recent strength in grain prices resulting from inflationary tendencies, together with poor prospects for the winter wheat crop should mean that a great part of last year's crop, stored along the lines of the Great Northern, will soon augment traffic. Moreover, ore shipments also may be expected to expand as a result of increased activity in the



steel and automotive industries. The near term maturity of the $41,900,000 St. Paul, Minneapolis & Manitoba bonds, due July 1, next, has been an unsettling factor in the affairs of the Great Northern. It is believed, however, that arrangements to extend this maturity will be successful. The financial condition of the road is satisfactory, total current assets as of February 28, 1933, amounted to $17,268,570 and were about $8,427,000 in excess of current liabilities. There were no loans or bills payable outstanding. Thus, the road appears well enough fortified, financially, to withstand a further period of subnormal earnings. Inasmuch as a rail dictator, if any, would be chosen for the distinct purpose of aiding the roads, we feel that you have little cause for anxiety on that score. Such a step would undoubtedly, facilitate the elimination of duplicate and unprofitable trackage and, in our opinion, the railroads have more to gain than to lose from this type of regulation. Although Great Northern preferred has already advanced sharply from its low, these shares still appear amply deflated and their retention is recommended for further price appreciation.

STANDARD BRANDS, INC.

Do you think that this is a good time to buy Standard Brands? It seems to me that this company is most favorably situated to benefit during the coming months whether we have inflation or not. I already have some and want to buy more if you so advise. I would also appreciate full particulars as to the outlook for the company and the general prospects for enchancement of its stock.—L. R. M., Rochester, N. Y.

Reflecting the stable demand for yeast, together with the efficiency that has been attained in the distribution of its various food products, earnings of Standard Brands, Inc., have held up in a remarkable manner throughout the depression. Profits during the quarter ended March 31, 1933, amounted to $3,180,059, equivalent, after dividends on the 7% preferred stock, to 24 cents a share on the common stock. In the initial quarter of 1932, earnings on the common stock amounted to 30 cents a share. As of December 31, 1932, there were 95,029 shares of 7% preferred stock outstanding, preceding the 12,645,166 common shares. Subsequently, directors voted to redeem 25,000 shares of the preferred stock and to retire 3,500 shares which were held in the treasury. Thus, the equity position of the common stock has been further strengthened. The consolidated balance sheet as of the year-end revealed total current assets of $38,529,496, of which cash alone amounted to $13,802,794, as against total current liabilities of only $4,246,518. Given more normal economic conditions, earnings of Standard Brands should register a steady expansion. In the meantime, sales of yeast and vinegar undoubtedly will continue to stabilize earnings, while the development of increased consumer demand for its newer products, through extensive and increased advertising, should contribute a greater percentage of total earnings in the future. In our opinion, the shares rank among the more attractive equities in the food group and we feel that the distinctly favorable long term prospects of the company fully warrant additional commitments around current levels.

AMERICAN HOME PRODUCTS

I hold 100 shares of American Home Products at a price slightly higher than current quotations and I am wondering if with this upmove it would be a good time to sell. Let me know at once what you think of the outlook for this company and what you advise me to do.—L. T. M., Norfolk, Va.

The report of the American Home Products Corp., for the year ended December 31, 1932, revealed net income of $2,644,199, equivalent to $3.94 a share on the capital stock, compared with 3,373,834, or $5.52 a share in the previous year. Current assets as of December 31, 1932, were $6,209,927, while total current liabilities stood at $1,770,153, comparing with $6,345,295 and $3,508,292, respectively, at the end of 1931. As of the latest report cash and marketable securities alone totalled $1,966,720. In view of keener competition accompanied by price cutting, which the company has had to meet during the past two years, the showing to date has been most gratifying. In order to preserve its strong financial condition, directors of the company recently reduced the monthly disbursements on the common stock from 35 cents to 25 cents. The present rate appears well protected by the strong working capital condition and by current earnings. Stockholders on March 7, 1933, ratified a reduction in capital from $17,832,438 to $672,100, thus permitting approximately $15,000,000 to be transferred to surplus. The surplus so created is to be used to write down intangibles such as good-will, trade marks, formulæ, patent rights, etc., to $1. As of the latest report there were no notes payable outstanding and capitalization consisted solely of 672,100 shares of common stock. The company enjoys a broad market for its products and is further benefited by

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valuable trade connections. A steady consumer demand has been created for its products through extensive advertising and sales campaigns. In our opinion, the shares of American Home Products Corp., are among the more attractive equities in the drug group and maintenance of long pull holdings is justified for income and eventual price appreciation.

Fixed Income or Guaranteed Purchasing Power?

(*Continued from page* 61)

From now on, the mortgagor will pay interest and principal in "units of purchasing power." True, the payment actually will still be made in dollars, but the number will vary. Today it will take a very much smaller number of dollars than in 1928 to settle for a required amount of units, either in payment of semi-annual interest, or in payment of the principal should it fall due. In a word, the debt will be no more burdensome for the debtor now than in 1928, while my uncle will still command as many groceries, other goods and services with his interest as he ever did.

On the other hand, should prices go up, the debtor will find himself paying a larger number of dollars in settlement of his "purchasing power" debt. But he would be just as well able to do so as he was to pay the smaller number, for he would be receiving so much more for his own labor and products.

"Why," argues Uncle Henry, "if all contracts to pay money at some future date had been contracts to pay purchasing power, the present depression would never have happened. There would never be any such general foreclosing of homes or farms as has occurred recently. There would never be such a wail as is now going up from owners of homes and owners of farms to have their mortgages formally reduced in both principal and interest. This is because under my system they would already have had both reduced. Neither would there be a wail from the owners of the debt, for their interest would buy them as much as it did before."

"Why won't people buy my bricks today," Uncle Henry will demand, looking like a belligerent doe. "I'll tell you. It's because people who want to build houses can't get mortgage money. And people with money won't put it out on mortgage, because they've been stung once by the fall in prices and because they think inflation is in the air and that they will get stung again by having the debt discharged in dollars less desirable than those they lent. If people were only guaranteed against the loss in buying power which inflation would bring to them, there would be plenty of mortgage money, and building instead of being the most depressed of all industries would be one of the most active—to the assistance of every business in the country."

When in a particularly mellow mood, Uncle Henry threatens to carry his idea even further. He says he will form an investment company to deal in purchasing power and not dollars. The company will buy purchasing power mortgages and sell purchasing power certificates, just as the guaranteed mortgage companies used to do before they got themselves involved in the crash of prices. Also, he is planning a purchasing power bank—the customer will never know how much he has on deposit in dollars, but will have all the peace of mind which comes with the certainty that what he *does* have will buy him as big a bill of goods from the A. & P. as it would when he put it in.

Well, and why not?

Intimate Letters of a Washington Journalist and His New York Broker

(*Continued from page* 65)

of the Exchange is again doing his customary business. It is remarkable how a few weeks changes the entire atmosphere.

Nobody knows how far prices can go under present public feeling. Just now everyone has suddenly become stock minded and people talk about inflation in terms of Germany's pitiful currency deflation of a decade ago. That is all wrong, and when things become clearer the old truth will be again demonstrated that stocks only go up and *stay up* when earnings justify. This is not to say that they will not do so. Business is improving in some degree but the whole situation will bear watching.

That is about enough of a sermon for today. I am sorry I cannot write you more, but it is already after six o'clock and I expect to stay down several hours more.

Yours,
PERRY.

P. S. Don't your Congressmen and Senators realize that the kind of an inflation they want would not make them any better off? If they had a 50-cent dollar, they would have to pay twice as much for everything.

The Dream of Recapturing a Forty-Billion-Dollar Market

(*Continued from page 63*)

employment, it is necessary to regain it and to cultivate it in the future. There are dreamers of dreams who see the two billions of people of the world rising to American living standards and requiring such an unimaginable volume of production and consumption that overproduction will become an obsolete word. The fact that whatever we export must be paid for with imports of goods, services, or loans (which come to the same thing in the end), is lightly passed over. In the whole library of stuff that has been written about the riches that await us in foreign trade, nobody has yet told us what China, for example, could acceptably give us in return for multiplied exports. Not even our Russian trade enthusiasts have been able to point out what we could beneficially take in trade from Russia for our products and cash. Neither of these nations produces any considerable amount of exportable products that are complementary to our own. In fact, all the world has little.

Had it not been for our mushroom export trade and our colossal loans to finance it we would have been unscathed by the world-wide monetary and financial disturbances. Had we restricted our production of automobiles, cotton and wheat and a few other things to the needs of the domestic market we would never have been in our present straits of price dependence upon foreign monetary juggling.

Not a Narrow Policy

Contrary to doctrines which we have inherited from the English economists and industrialists, the surest course for us to steer is one of economic self-sufficiency as near as may be except for non-competitive exchanges. Let us sell the things which other nations demand of us, and buy from them the things which we can not economically produce at home or which we choose to neglect in favor of more profitable activities. This should be the policy when we participate in the conferences looking toward reciprocal lowering of tariff bars.

It is significant of the resistlessness of the trend of commercial decentralization that although the administration is making magnificent foreign trade gestures it has actually entered upon a policy of restricting our two

most troublesome exports, wheat and cotton, to the needs of the home market—actually offering premiums to the producers of those commodities to reduce exports.

We have the right and it is our duty to make the most of the good fortune nature's bounty and continental extent have given us. We have the resources, the capital, and the physical and technical equipment to create here at home, in an unparalleled free trade area of our own making and liking, many times as much production, trade and employment as we could ever find in foreign trade. Now that we have almost unlimited potential capacity for both raw materials and industrial goods the studied concentration of our commercial enterprise at home is neither narrow nationalism nor false economics. For us to ship manufactured goods to nations that can send us only such goods in return or to compete in raw materials and foodstuffs with nations that can produce them cheaper is economic waste and economic folly, which benefits us not at all and makes grave difficulties for other nations. To accept from our foreign friends the products that we do or can efficiently produce here is merely to deprive a part of our people and capital of the means of buying from and selling to the rest of us.

Complete Isolation Not Feasible

Some measure of competitive foreign penetration of our markets is probably wise as a means of checking abuse of the home market by the greed of our own producers. Undoubtedly some of our tariffs are too high in normal times. Again, we have to face the realities of present situations. The fact that 50 per cent of our cotton, for example, normally finds its market abroad cannot be blinked. Our cotton farmers need a great increase of exports at present. It will take a long time until domestic consumption and production can be brought into balance, through the increase of the former and decrease of the latter. In the meantime it will be sound national policy to hold back or discourage some sectors of our industrial development in order to leave a certain vacuum in our markets for selected foreign goods. Reciprocal tariff reduction treaties can meet this situation. As an interim measure it may be judicious to invite some further increase of imports in order to avoid the tempation to further entanglement in foreign financing which an excess of exports encourages also as a gesture of good will. But that we shall have an expansion of our foreign trade to its former volume is most unlikely; such an expansion would run counter to our interests and natural policy as well as those of other nations. It cannot be otherwise so long as there are nations, with their inevitable conflicts of trade; for no nation will willingly permit itself to be conquered in trade any more than in war in the supposed general interests of mankind.

There are other nations or groups of nations which are or are capable of gaining a position similar to ours. Except as an emergency measure they are not interested in regaining all of their lost foreign trade, except with emphasis on exports particularly to us—this great market half the world's. None of the other nations desire it all back on a basis of reciprocal exchange. Those 40 billion dollars are gone forever, and not all the world's conferences can call them back unless they can turn back the world-wide march of industrialism, check the spread of technical knowledge and skill, and regiment the nations into an international division of labor and reciprocal exchange of products.

Prospective Shifts in Rail Revenues

(Continued from page 75)

three years of the movement, was attained with the Pocahontas scale at only 59% that of the Central Pennsylvania. This was the outstanding critical period of the movement, when the Southern coal operators were forcing their hands to the maximum in a determined effort to maintain production schedules in the face of a declining national coal consumption. This spread of 41% in wages between two contiguous states was an uneconomical and artificial condition that could not persist.

Faced with the alternative of going out of business under this heavy wage differential, Pennsylvania and Ohio coal operators took the lesser of the two evils, and broke with the union in 1927. A period of competitive wage reductions with Southern non-union mines followed, becoming progressively intensive in the past three years of declining coal consumption, and culminating in the current scales noted on the graph. The Pocahontas wage scale now stands at 79% of the Central Pennsylvania, which is exactly the ratio of 1915 before the great shift in tonnage to the Southern roads started. The Mid West union scale is still apparently out of line with former ratios, though actually this is compensated by an improved mining technique, making for substantially lower costs. The Illinois-Indiana wage scale under existing conditions may be taken as close to the 1915 ratio with Southern wages, as is evident from prices now quoted by Illinois producers, previously noted.

With Northern mine wages back to former ratios with the Southern, previous to the shift in tonnage to the latter sections, there is no apparent reason why this business will not revert to former channels. The physical conditions in the mining fields are substantially the same, and there is no important change in consuming methods. As previously noted, Southern coals are strongly entrenched in their new markets, with both carriers and producers well organized and on the offensive. But the new coal indices for the current year are already indicating the initial phases of the reverse trend.

The "If" in Aviation

(Continued from page 67)

Express and passenger traffic on all the domestic air lines has increased annually despite the depression, express rising from 254,351 pounds in 1929 to 968,169 pounds during the first 11 months of 1932; passengers increasing from 151,749 to 451,813 during the same period.

The contract mail lines during the first 11 months of 1932 carried 43.5 per cent of all the air express and 65 per cent of all the air passengers. Their percentage of passenger miles flown jumped from 54 per cent in 1930 to 67.6 per cent in 1931 and to 82.5 per cent during the first 11 months of 1932. Those figures indicate that the contract mail lines are steadily developing express and passenger traffic and are not depending for revenue solely upon their mail contracts.

Significant of the importance which air transport has assumed in our everyday life is the fact that increased express and passenger traffic has been developed by improving schedules and otherwise bettering the service in the face of the depression and while the volume of surface traffic has been steadily decreasing.

Increased passenger traffic seems to have followed the decrease in rates which have been steadily reduced from an average, on the mail lines, of 12 cents a mile in 1926 to 6½ cents a mile at the present time.

The air mail contract lines have increased the number of station stops from 23 cities in 1926 to 165 at the present time. They now serve directly communities which are trading areas for 75,000,000 persons, or 60 per cent

A Message to Investors

This is NOT a strictly selective market in which certain stocks can be safely sold and others purchased in their stead, merely on the basis of statistical information.

Do not be misled by claims that statistics can foretell which stocks will benefit most by inflation—this is not known to anyone at this time.

***It is never so important for you to know which stocks to buy as to know WHICH METHODS to follow in determining WHEN to* buy *and* sell.**

TO KNOW *WHEN* to buy and sell—that is what you, as an investor or trader, want to know—if you are to benefit by today's opportunities. Have you been able to protect your capital—and make it grow during the last three years? Did you profit by the market rise following the bank moratorium? Did you purchase stocks before the market rise following the gold embargo? If not, the A. W. Wetsel method of investing and trading can open up new profit opportunities for you.

Financial losses, as you know, are caused by lack of knowledge as to WHEN to *sell*. Financial profits, if they are to be taken regularly, require a knowledge of WHEN to *buy* and WHEN to *sell*. How, then, is such knowledge to be gained?

Have Statistics Failed?

For years, investors, seeking a way to interpret market action in advance, undertook to forecast price movements through statistical studies. They corralled balance sheets, earning statements, figures of every conceivable kind relating to industries and business conditions. As long as conditions were "normal" such statistics were accepted in many quarters as reliable forecasting factors. Yet their very inadequacy was misleading, as has been so thoroughly proven during the last three years.

For instance, when U. S. Steel was earning $21 a share, it was considered a conservative investment—actually called "too cheap" at $225.

Later, just after the company had issued a statement showing the largest deficit in its history, the stock rose from around $26 to $49 within a month's time.

What set of statistics possibly could have *foretold* what ACTUALLY happened?

The answer is that statistics are not conclusive forecasting factors. They are records that, in themselves, are incomplete, and, therefore, unreliable guides. And, just as they have failed throughout the depression period, they cannot be relied upon to tell you WHEN to *buy* and *sell* during the recovery period—nor can they consistently tell you WHICH security.

A Dependable Forecasting Method

Market prices, it now is widely recognized, are governed by forces within the market itself. And only through correct interpretation of the effect of these technical factors can price movements and changing trends be foretold with an assuring degree of accuracy.

It, therefore, behooves the investor and trader to either (1) make diligent analysis of *all* the forces governing market prices or (2) employ the guidance of an *independent* investment counsel who through proven experience and constant application accurately can interpret these technical factors for him. In this way, and this way only, can you obtain maximum protection and profits.

Such a service is offered by this organization of investment counselors, under the personal supervision of Mr. A. W. Wetsel, who developed the astute Wetsel method of forecasting market trends and price changes through interpretation of those Technical Factors which govern security prices.

This vital information fortifies your financial position in declining markets. It tells you *in advance* of a rising market at WHAT price to buy and tells you WHEN to sell.

The A. W. Wetsel Record

Recall, for a moment, the following dates and what you *did* then. Check (if you do not recall) the records of statistical forecasts on corresponding dates. Then compare that information with this abbreviated RECORD of Wetsel market forecasts. Wetsel Technical Factors foretold:

—**the October, 1929, break in September—and again on October 7 of that year.**

—**the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy"**

—**the break of April, 1931, when business indices and statistics indicated broad improvement, Mr. Wetsel wired his clients to sell both investment and trading holdings.**

—**five major upswings that occurred during this period.**

—**the rising market of last summer (on July 9), at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.**

—**the market price following the bank moratorium. After advising clients to *stay out* of the market during February, specific *buying* recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.**

—**the beginning of the gold embargo market. Purchases again being made on April 14-17—two to five days prior to the sensational rise following the embargo.**

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregate even more profits.

Seek and Get Timely Advice

The results you get from Investment Counsel are measurable in dollars—you are not seeking glittering generalities. Therefore, the following warning is given:

Do not permit present money making opportunities to cause you to be careless in your market operations.

The recent upswing in prices *does not* yet indicate a selective market.

The term inflation used in regard to security prices may prove to be highly misleading.

Statistical methods that failed throughout the depression to reveal which stocks would decline and which would resist the decline, are unlikely to point out which stocks will lead in the recovery and which will not.

The art of investing, having passed the period of bare statistical deductions, now approaches a science. You have a right to expect and get dependable and *timely advice*.

From the institution and individual with large estate problems to the small investor and trader anxious to build up his holdings or recoup losses, there is an A. W. Wetsel service suited to the needs of every type of investor and trader.

Send for Booklet Explaining This Profitable Method

Investors and traders desiring to take advantage of present opportune conditions are invited to call at our offices, if convenient, or to send for our widely read booklet, "How to Protect Your Capital and Accelerate Its Growth . . . Through Trading." Clearly and simply it points out how to avoid methods that cause losses, exposes half-truths and fallacies that have caused losses of untold millions, and explains this new common sense approach to the sound philosophy making for success in investing and trading. It *shows how* to get maximum protection, fortify yourself against impending deep reactions, to reap profits in today's market.

Send for it today. See for yourself how you can increase your profit ratio with maximum protection. No cost or obligation—simply fill in and mail the coupon.

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IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1933 Price Range High	1933 Price Range Low	Recent Price
Alum. Co. of Amer.	62¼	37¼	58¼
Alum. Co. of Amer. Pfd. (1½)	53	37	52
Amer. Cit. P. & L. B. (.15)	5½	3	4
Amer. Cyanamid B	9	3¼	8¼
Amer. & For. Pr. war	7⅜	2⅝	6⅞
Amer. Gas & Elec. (1)	33¼	17⅜	26¼
Amer. Lt. & Tr. (2)	19½	12	14¼
Amer. Superpower	5⅛	2⅛	4
Assoc. Gas Elec. "A"	2⅝	1	1⅜
Babcock & Wilcox (1)	40	25	40
Centrifugal Pipe (.40)	3½	2¼	3¼
Cities Service	3⅛	2	2⅝
Cleve. El. Illum. (1.20)	32½	20½	25
Colum. G. & E. cv. Pfd. (5)	96	68	91
Commonwealth Edison (5)	82⅝	50	58
Consol. Gas Balt. (3.60)	65	43⅛	48
Cord Corp. (.10)	9¾	4⅛	8¾
Deere & Co.	18⅞	5¾	18¼
Elec. Bond & Share (6% stk.)	21⅞	10	18¼
Elec. Bond & Share Pfd. (6)	43¾	25	34½
Elec. Pr. Assoc. (.40)	6	2½	6
Ford Motor, Can., A	7	4⅞	6½
Ford Motor, Ltd.	4	2⅝	3⅝
General Aviation	7⅝	2⅞	7
Glen Alden Coal	12	6⅜	9⅛
Great A. & P. Tea N.-V. (7)	167	128	163
Gulf Oil of Pa.	40	24	37
Hudson Bay M. & S.	6⅛	2⅝	6
Humble Oil (2)	54⅞	40	50½
Inter. Petrol (1)	13¾	8⅛	12⅜
National Aviation	8½	4⅞	8¼
Nat. Bellas Hess	2	¾	2
Nat. P. & L. Pfd. (6)	69	34	53½
Niagara Hudson Pwr. (1)	16⅜	8½	10⅞
Penroad Corp.	2¼	1⅛	2
St. Regis Paper	3⅝	1½	2⅞
Smith (A. O.)	41¾	11¼	38
So'west Penn P. L. (4)	33	24½	32½
Standard Oil of Ind. (1)	24¾	17	24⅜
Stutz Motor Car	17⅝	8⅞	14⅛
Swift & Co.	16⅞	7	15⅛
Swift Int'l (2)	25	12¼	23
United Founders	1⅛	¾	15/16
United Gas Corp.	2½	1⅛	2½
United Lt. & Pow. A	4⅜	2	3½

of the population. These areas include about 90 per cent of all the manufacturing facilities in the United States.

The degree of efficiency with which the government effects new trade treaties will materially influence the export trade of the big four companies.

Government policy, with the mail contracts, equipment contracts for the military services and treaties with foreign nations, will indicate whether or not the industry is to prosper.

The question of inflated values will bob up to pester the investor when general conditions improve. Few persons are capable of properly judging values in such a technical field. For three years after the Lindbergh flight people bought any kind of aircraft stock; and this even led most of the better companies to acquire more capital than they needed and overexpand plant facilities and operations.

And then, after the crash, aviation ceased being a poker game with the bankers handling the chips. For two years management of the industry has been drifting back into the hands of the experts; and banker control has gradually relaxed. Aviation will always require the help of the banks, but if they let it get out of bounds again, if they permit the investing public to toss hundreds of millions into wildcat promotion schemes and "blue sky" ventures, as formerly, then the most reliable units in the industry will suffer and their stockholders with them; because aviation has become more or less of a utility and is on the verge of drastic Government control. The slightest spree, even in watered stock, will hasten the day thereof. And then the industry, being small and politically powerless as industries go, will never pay a dividend. On the other hand if it continues a conservative course under private management plus a reasonable amount of government business in the next few years its opportunities and those of its investors are boundless.

How Industries Will Be Affected by Inflation

(Continued from page 78)

to clear up this point of "inventory." It was said in the foregoing paragraph that those industries would benefit from inflation whose inventories were not overlarge. Yet, there has been much buying of securities over the past few weeks on the theory "the larger the inventory, the better the protection against a debased dollar." This, however, is a valid reason only up to a certain point.

If one can be certain that the inventory will rise in price as much, if not more, than the commodity general average, then obviously the larger the inventory the better. Retail merchandising is perhaps the best example of this. On the other hand, if the industry's inventory is so exceedingly large in relation to consumptive demand, it is quite possible that any rise in price will fall short of the general commodity average. Copper is an excellent example of an industry which is likely to fall into this category. Industries such as petroleum, coal, textiles and rubber where the potential inventory, or capacity, is very large will also fall into this class unless offsetting internal steps are taken. That is to say the oil industry, for example, may continue to produce a flood of oil and, unless constructive proration steps are taken, this flood will do much to offset the "inflationary" rise in price for the product.

All of which proves that it is just as important to watch the internal position of an industry under inflation as it has ever been. This applies to all businesses: lead and zinc, steel, machinery, and a host of other industries will all obtain the benefit of the inflationary price rise so long as they themselves do not nullify it by reckless competition or other tactics.

The basis of this article was that "inflation" was the manipulation of credit and currency resulting in higher prices and this—it was assumed—would result in some increase in business volume. Mention has been made of industries which would be slow to obtain higher prices, but which might benefit to some extent from larger volume—the railroads and utilities. Then there are those such as the chemicals which will probably receive the best of both higher prices and greater volume. Next, mention has been made of that large section which will obtain something in the way of higher prices and something in the way of increased volume, the net result being beneficial rather than adverse for the majority. Among these are steel, machinery, equipment and others. Finally, there are those which will obtain their share in the price rise and but little in the way of increased volume.

There are quite a number of industries in the latter class. The first to come to mind—and probably the best example—is the food industry in general. Here, prices will rise, but there will be no increase in the total volume, although there may be some shifting around among different foodstuffs. Tobacco, real drugs, and shoes, while less clear-cut, nevertheless fall into this category. Also, such industries as amusement, business equipment, household supplies and automobiles will probably enjoy the increase in business volume to a limited extent only.

Diversification Desirable

With this as a background the individual who fears for the safety of his dollar savings and wishes to take out some insurance for the maintenance of their purchasing power should be able to chart his course in its broader aspects. He will, of course, practice quite extensive diversification if for no other reason than that any industry, or any company, can wreck itself regard-

less of what is done on the outside to help it. He will remember the point that an inventory is only protection for the maintenance of purchasing power to the extent that the price of the inventory maintains its position relative to other goods and services. He will also remember that a funded debt will be advantageous under inflation to the common stockholders of those companies to benefit from higher prices and the increased business volume which will result from them. Funded debt, however, is of little advantage to those companies, the price of whose products and services will lag, and which are unlikely to participate more than moderately in the business betterment. That is to say, there are companies which will have difficulty in obtaining even those "cheap" dollars, so often mentioned as being employed for paying debts under inflation.

There is but one final point to be made. It is, that the individual who buys common stocks at the present time as protection against inflation, or debasement of the dollar, and buys them with little regard for earnings and statistical value, is virtually selling the dollar short. There is something to be said for having a good part of one's capital in stocks under current conditions, but it would almost certainly be a mistake to assume too topheavy a short position in the money which is fundamentally the strongest in the world.

What Bonds to Buy, Sell or Hold

(*Continued from page* 71)

York Clearing House sent a letter to its members which stated—"Demand for payment in gold should be refused upon the ground that it is not available whereupon notice to obligor should be sent as follows—By reason of existing government regulation we have been compelled to refuse demands for payments in gold—under existing government restrictions we cannot obtain gold for the funds received and therefore payment can be made only in current funds."

As suggested in the last issue of this Magazine, some degree of protection against depreciation of the dollar may be obtained in foreign bonds when commitments are made in issues of countries with the highest credit standing and whose payments are made in gold. It should be borne in mind, however, that currencies of the entire world, in their relation to gold, are in a position where service of debt in gold on the present basis cannot be relied upon indefinitely. And, unless one is prepared

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

"TRADING METHODS"
This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785).

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house is issuing a booklet describing a method by which listed securities may be purchased on monthly installments in odd lots or full lots. (813).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

"SOME FINANCIAL FACTS"
An interesting booklet issued upon request by the Bell Telephone Securities Co. (875).

ELECTRIC BOND & SHARE CO.
Full information or reports on companies identified with Electric Bond & Share Co. furnished upon request. (898).

"STOCK EXCHANGE SERVICE FOR THE SMALL INVESTOR"
This booklet, published by M. C. Bouvier & Co., will be sent upon request. (908).

"HOW TO PROTECT YOUR CAPITAL AND ACCELERATE ITS GROWTH—THROUGH TRADING"
Is the title of an interesting article by E. B. Harmon of A. W. Wetsel Advisory Service, sent to investors on request. (936).

ODD LOT TRADING SUGGESTIONS
Booklet entitled "Odd Lot Trading and Suggestions for Traders" sent on request. McClave & Co. (940).

BROKERAGE SERVICE TO INVESTOR AND TRADER
Spring & Co., members New York Stock Exchange and other leading exchanges, have prepared an interesting folder on brokerage service to investor and trader. Copy gladly sent upon request. (948).

STANDARD OIL OF NEW JERSEY
Newman Bros. & Worms, Members New York Stock Exchange, have prepared an analysis on Standard Oil of New Jersey. Copy sent upon request. (952).

MAKING MONEY IN STOCKS
This booklet, issued by Investors Research Bureau, together with four security recommendations, will be sent free to investors on request. (953).

UNITED BULLETIN
Bulletin giving definite advice on leading stocks is issued by United Business Service. Free copy sent on request. (954).

to watch foreign developments closely and take a chance on a general reappraisal of all currencies at the World Economic Conference the wisest policy for American investors is to invest their funds at home and obtain the necessary degree of protection against a lower purchasing power of the dollar by a careful selection of issues.

The American Dollar at Home and Abroad

(Continued from page 60)

British banks lending them 130 million dollars, which they don't need for any ordinary purpose, to help them stick, by artificially encouraging a flow of gold to France to offset the flight from the franc for fear it will be denatured, are apparently about to equalize the trade condition by slapping a 15 per cent duty on American goods. Being on the gold standard, they can't manipulate dollars by speculating in exchange the way the British do.

If France quits the defense of gold, there will be nothing left in the world by which to measure exchange and it will flop around like a decapitated chicken. If that happens England might return to gold, say at $2.50 to a new pound. We might have to retaliate by returning to gold at 50 cents to the dollar. The battle of gold content having started gold might be fought out of the picture. It seems certain that England will never return to gold at the old rate of $4.86 plus to the pound. That means that if the gold measuring stick is to be made standard again throughout the world, we shall have to devaluate the gold dollar in accordance with some international agreement. Every country would have to readjust gold content to suit its position with respect to parity.

Viewing such a prospect we find abundant room for justified conjecture as to what will happen to all of us if our standard dollar is altered. Theoretically, prices would advance accordingly. Debts incurred in 100-cent gold dollars could be paid off with, say, 50-cent dollars. Bonds would collapse in market value and common stocks would go up like a sky-rocket not only in the new dollar price but in actual increase of proportionate equity in all corporations having bonded debts. Mortgages would go limp. Commodity prices would explode upward.

So, the coming International Economic Conference may touch off another "new era." Regardless of our own internal inflation the wise man will keep an eye on dollar inflation resulting from an international decision to stabilize on a reduced gold standard. Remember, too, that our part in this monetary drama is now in the hands of one man, the President of the United States, who has the power and has shown the capacity to act with lightning-like rapidity. As you fondle your dollars keep that in mind. Not only may world action compel an alteration of their gold base by international mandate, but it may be brought about by arbitrary price-raising decree of the President. Before that is done open market operations of the Federal Reserve may cheapen money and raise the price level. Or 3 billion dollars of a modern version of greenbacks and a dose of silver may do the same with all its implications and consequences.

The dollar is for the time being about as efficient a storage place for wealth as a collender is as a water container. You can make your own inferences as to what that means for you and the rest of the population which has any dollars left.

In the Next Issue

The Future of New Financing

By Ward Gates

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 24	63.24	73.69	31.08	65.53	63.09	4,806,160
Tuesday, April 25	63.40	72.45	30.11	64.16	61.80	3,504,090
Wednesday, April 26	64.11	72.64	31.17	64.67	62.13	2,914,900
Thursday, April 27	64.23	71.71	30.44	64.10	62.24	1,880,615
Friday, April 28	64.51	73.10	30.87	64.31	61.36	2,163,670
Saturday, April 29	64.96	77.66	32.37	68.63	65.13	3,389,470
Monday, May 1	64.90	77.79	33.46	70.72	67.85	6,052,530
Tuesday, May 2	65.26	77.29	35.68	70.57	67.60	3,898,130
Wednesday, May 3	65.59	77.37	34.34	71.30	68.37	4,647,410
Thursday, May 4	66.31	79.16	35.52	71.88	68.72	4,591,117
Friday, May 5	67.17	79.78	35.78	73.01	71.00	4,996,570
Saturday, May 6	67.01	77.61	34.87	72.37	69.33	2,094,030

INVESTMENT MANAGEMENT SERVICE

90 BROAD ST.
NEW YORK, N.Y.

MEMORANDUM: From Advisory Department

Many investors wrongly believe that if they simply sit back and wait the securities which they are holding will advance with the market. However, the fallacy of such reasoning is clearly shown by the following actual case.

On March 27th we prepared and sent one of our new clients the initial analysis which is submitted as the first step in our service. In this we advised the sale of 7 common and 3 preferred stocks aggregating in market value $17,075 — and recommended in replacement the purchase of 4 bonds and 7 common stocks at a total cost of $16,750.

To date the securities we recommended buying show a profit of $4,500 — whereas those we advised selling have advanced only $130. Yet during this period we experienced one of the sharpest market advances since the bull market of several years ago. Certainly this is conclusive evidence that only by selective rotation can investors be assured ultimate and speediest recovery of their original investment capital.

Send us a list of the securities *you* are holding, designate the amount of liquid capital available for additional investment, and outline your individual investment requirements and objectives. We will make a preliminary survey and tell you how we can safeguard *your* capital and operate *your* account as a greater source of income and profit. You will be under no obligation whatever —and our knowledge of your financial affairs will be held in absolute confidence.

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